

MONTANA 2004

Individual Income Tax Booklet

Forms included in this booklet:

Long Form 2
Short Form 2S
Form 2A
Form W
Form 2A Page 3
Form 2EC
Payment Coupon

Dear Montana Taxpayer:

The Montana Department of Revenue is committed to providing the best possible service to the taxpayers of this great state. By paying income taxes, you help support necessary activities in Montana. Your tax dollars provide services needed to make our state a wonderful place to live and work ... the place where we can live out our dreams.

April 15, 2005 is the deadline for filing returns and/or extension payments. To assist you in completing your 2004 tax return, this book notes important changes for the current tax year by displaying the **NEW** symbol.

We recommend electronic filing (E-filing) for the fastest and most accurate processing of your tax return and refund.



Please visit our website at

www.discoveringmontana.com/revenue or consult your tax preparer for more information. Also, please remember that you can make tax payments online by credit card or electronic check through Income Tax Express, available on our website.

Our Customer Service Center can be reached at (406) 444-6900 for income tax assistance or to order forms and instructions. You'll also find helpful information, as well as downloadable forms and instructions, on our website.



Helena National Guard Unit 151st AVN Company L
June 2004 in Iraq



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Pay your Income Tax Online!

Payment Options:

- Credit Card
- eCheck

with Income Tax Express

<http://app.discoveringmontana.com/intax>

Helpful Tips for Filing Your Tax Return

This checklist will help you avoid common filing mistakes that may delay your tax refund or result in your tax return being sent back to you (for a signature, correction or missing form).

- ☐ **Is your social security number provided?** If you are married filing a joint or separate return, include your spouse's social security number.
- ☐ **Is your address current?** An outdated or incorrect address will delay your refund.
- ☐ **If you owe taxes and are paying by check or money order, did you include the payment coupon from the Montana tax booklet?** Be sure to complete the coupon and to write "2004 income tax payment" (or some type of identifier) on the memo line of your check.
- ☐ **Are applicable form(s) attached?** This includes your W-2 form(s), Form 2A if you are itemizing deductions, and the various federal or state forms required.
- ☐ **Did you sign and date the tax return?** If you are married filing a joint or separate return, be sure your spouse also signs the return.

Listed below are the five most common errors made when calculating the tax liability/refunds on individual income tax:

- Math errors.
- Computing standard deduction.
- Computing the tax liability.
- Computing estimated tax payment.
- Payment not mailed in with return.

Be sure to

- print clearly,
- mark correct box for filing status (single, married joint, separate, etc.), and
- attach federal schedules where applicable.

Do not use the pre-addressed label on the back of this booklet if your marital status, name or address have changed.

For Returns With Payments

Mail To:
Dept. of Revenue
PO Box 6308
Helena, MT 59604-6308

For All Other Returns

Including Refunds Mail To:
Dept. of Revenue
PO Box 6577
Helena, MT 59604-6577

Forms Included in Tax Booklet

<u>Form No.</u>	<u>Description</u>	<u>Form No.</u>	<u>Description</u>
2	Individual Income Tax Return Form	W	Worksheets for Standard Deduction, Taxable
2A	Itemized Deductions and Tax Credits		Refunds, Retirement Exclusion, Capital Gain
2A-Page 3	Other State Credits and Investment Credits		Exclusion, IRA's, Social Security, Itemized
2S	Individual Income Tax Return Short Form		Deduction Limitation and Underpayment Interest
2EC	Elderly Homeowner/Renter Credit		for Failure to Make Estimated Payments (short method.)

To order forms call (406) 444-6900 or download forms from the Internet at www.discoveringmontana.com/revenue.

Individual Income Tax Forms Available Upon Request

Forms may be available at banks, courthouses, libraries and post offices.

Form Name	Description
2	Individual Income Tax Return Long Form
2A-Pages 1 and 2	Itemized Deductions, Tax Credits, Nonresident and Part-Year Resident and Allocation of Income
2A-Page 3	Other State Credits
2S	Individual Income Tax Return Short Form
2EC	Elderly Homeowner/ Renter Credit
INSTR	Individual Income Tax Instructions
2X	Amended Montana Individual Income Tax Return
FID-3	Montana Fiduciary Return and Instructions
2101	W-2 Withholding Declaration
2441-M	Child and Dependent Care Expense Deduction
AEPC	Alternative Energy Production Credit
AFCR	Alternative Fuel Credit
CC	College Contribution Credit
DCAC	Dependent Care Assistance Credit
DS-1	Disability Income Exclusion Calculation Form
ECC	Elderly Care Credit
ENRG-B	Alternative Energy Systems Credit
ENRG-C	Energy Conservation Installation Credit
ESA	Estimated Tax Annualization Worksheet
EST-I	Underpayment of Estimated Tax Interest Form
ESW	Estimated Individual Income Tax Worksheet
EXT-04 Worksheet	Extension Payment Worksheet
FTB	First-Time Home Buyer Savings Account
FRM	Farm and Ranch Risk Management Account
HI	Health Insurance for Uninsured Montanans Credit
IND	Indian Certification
IT-EST	Estimated Individual Income Tax Booklet
MSA	Medical Care Savings Account
NOL-Pre 99	MT Net Operating Loss Worksheet (1998 and prior years)
NOL (Rev. 8-04)	MT Net Operating Loss Worksheet (1999 and subsequent years)
NR1	North Dakota Reciprocal Affidavit
NR2	Employee Certificate of North Dakota Residence
QEC	Qualified Endowment Credit
RSCH	Increase Research and Development Activities Credit
RCYL	Recycle Credit
VT	Veteran's Contribution
W	Worksheets for Standard Deduction, Taxable Refunds, Retirement Exclusion, Capital Gain Exclusion, IRA's, Social Security, Itemized Deduction Limitation and Underpayment Interest, Short Method, and Tax Table

Who Must File

Applies to residents, part-year residents and nonresidents. Refer to the chart below to see if you are required to file.

Marital and Filing Status	Age as of December 31, 2004	You must file if you have federal gross income equal to or more than
Single, married filing separate	Under 65.....	\$3,440
	65 or older.....	\$5,280
Head of household	Under 65.....	\$6,880
	65 or older.....	\$8,720
Married filing a joint return	Both under 65.....	\$6,880
	One spouse 65 or older.....	\$8,720
	Both spouse 65 or older.....	\$10,560
Increase federal gross income by \$1,840 if eligible for blind exemption.		

Full-year Resident of Montana

You must file a 2004 Montana individual income tax return if you have federal gross income, excluding unemployment compensation, equal to or greater than the minimum filing requirements outlined in the chart above. You are taxed on all income earned regardless of whether it was earned inside or outside of Montana. To determine if you are a resident of Montana, refer to the Residency Status instructions found on page 2.

Part-year Resident and Nonresident

You must file a 2004 Montana individual income tax return if you have Montana source income and your federal gross income, excluding unemployment compensation, from all sources, both inside and outside of Montana, is equal to or greater than the minimum filing requirements outlined in the chart above. To determine if you are a part-year resident or a nonresident, refer to the instructions on part-year and nonresident returns found on page 9.

Other Filing Information

Statute of Limitations. Generally, the Montana statute of limitations is five years and all records should be kept during this time. Records for basis of property and carryovers may need to be kept longer. If you had a filing requirement and did not file a return, there is no statute of limitation preventing the assessment of tax, penalty and interest. The statute of limitation does not allow for a credit or payment of a refund if a delinquent return is filed more than five years after the due date of the return.

Deceased Taxpayer and Fiduciary. If you're responsible for the financial affairs of a deceased person, you must file a return for the deceased person if his/her income prior to death exceeds the minimum filing requirements. A joint return can be filed if the deceased person was married. The return must include the income of the deceased spouse from the beginning of the year to the date of death and the income of the surviving spouse for the entire tax year.

A Montana Fiduciary Return (Form FID-3) must be filed for the deceased person if income is received after the date of death for the balance of the estate year. This return must include income received from the date of death for the balance of the estate tax year. An estate or trust cannot be filed on Form 2.

Injured Spouse Claim. You qualify as an injured spouse if all or part of your share of a refund was, or is expected to be, applied against your spouse's past child support debt. To avoid confiscation of your refund, you must file using filing Status 4 (married filing separate on separate forms). Each spouse must claim his or her own income/loss, deductions, expenses and exemptions. This is the only way you can file an injured spouse claim. If you file using any filing status other than married filing separate on separate forms, your refund will be confiscated. If you have received a Letter of Offset on your tax refund from the Department of Revenue, please follow the letter's instructions to submit a written statement for the injured spouse claim or a copy of the federal Form 8379 for injured spouses. Do not submit an amended return.

Montana and North Dakota Reciprocal Agreement. A Montana resident who earns wages in North Dakota does not have to pay North Dakota income tax on these wages. All other income, earned in North Dakota by a Montana resident may be subject to North Dakota income tax. Complete North Dakota, Form NDW-R and submit it to your employer annually to be exempt from North

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Dakota withholding. You can obtain Form NDW-R from your employer or the Office of State Tax Commissioner, State Capitol, Bismarck, North Dakota 58505.

A North Dakota resident who earns wages in Montana does not have to pay Montana income tax on these wages. All other Montana source income earned by a North Dakota resident is subject to Montana income tax. Complete Montana Form NR-2 and submit copies to the Montana Department of Revenue and your employer annually to be exempt from Montana withholding. If your employer withheld Montana income tax from your wages you must file a Montana income tax return Form 2 with Montana Form NR-1 and a copy of your North Dakota tax return to receive a refund.

Electronic Filing. Montana participates in the Federal/State Electronic Filing Program and the Free Filing Alliance Program. You can electronically file your Montana income tax return with the Department of Revenue when you electronically file your federal return.

Montana encourages you to file your return electronically and does not limit the type of returns that can be filed electronically. If you are filing a return that requires one or more Montana forms to be attached, you can still file electronically. Do not mail a paper copy of your Montana income tax return or accompanying attachments.

When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.

Amended Returns. If you made an error or want to change your original return, file an amended Montana Form 2X. You can only receive a refund on your amended return if the amended return is filed within 5 years from the prescribed due date of the original return.

If the Internal Revenue Service changes your federal taxable income, or if you voluntarily change your federal taxable income you must file an amended Montana income tax return within 90 days of receiving notification from the Internal Revenue Service or filing of your amended federal return. The amended return must identify the federal adjustments and recalculated Montana tax for the year adjusted.

Tax Preparer Contact. To streamline questions related to your return, we have included an area for you to authorize the department to contact your tax preparer. By placing an "X" in the box marked yes under the heading "May the Department of Revenue discuss this return with the preparer shown above" on Form 2 and Form 2S significantly improves the processing of your return. If you check this box, the department may contact your tax preparer or you for additional information. You will, however, continue to receive notification of any formal tax liability adjustments made.

When to File

Your 2004 calendar year return must be filed by April 15, 2005. If you operate on a fiscal year, your return must be filed by the 15th day of the fourth month following the close of your fiscal year. If your return is filed after this date, you may have to pay penalties and interest.

If you are an individual serving in the armed forces of the United States, or servicing in support of the armed forces in an area designated by the President of the United States as a "combat zone" your date for filing your Montana individual income tax return may be extended as provided by the Soldiers and Sailors Relief Act. Visit the Department of Revenue's web site or contact us concerning your filing requirements.

Where to File

For returns without payments, including refunds - mail to:
Department of Revenue, PO Box 6577, Helena, MT 59604-6577
For returns with payments - mail to:
Department of Revenue, PO Box 6308, Helena, MT 59604-6308

Where's My Refund?

If you are expecting a refund from a current or back year return you can check the status of this refund by calling (406) 444-9840. This 24-hour-a-day service is accessible from both touch tone and rotary dial telephones. When calling to inquire about a refund, you will need to provide the following information:

- Social security number corresponding to the first name shown on your return.
- Amount of the refund requested as shown on the return.

The status of your refund will only be available after the tax return has been entered into the department's computer system.

Which form should I use?

Short Form. You may file Montana Form 2S if you answer "yes" to all of the following:

- I am a Montana resident for all of 2004.
- I am filing from a Montana address.
- I am filing single, head of household, or married filing a joint return.
- I am claiming the standard deduction or federal income tax paid. To itemize further, use Forms 2 and 2A.
- The only tax credit I have is the Elderly Homeowner/Renter Credit (Form 2EC).
- My only income is from wages, pensions and annuities, interest, dividends, fees, alimony, unemployment, winnings, prizes, awards, or other miscellaneous income.
- I made no estimated tax payments.

Long Form. You must file Montana Form 2 if you answer "yes" to any of the following:

- I am a resident of Montana for only part of 2004.
- I am a nonresident of Montana with Montana source income.
- I am married, filing a separate return.
- I am electing to itemize my deductions (Montana Form 2A).
- My income includes: income from dividends, a business or profession, capital gains, rents, royalties, partnerships, trust or S. corporation or taxable social security.
- I am claiming a tax credit.
- I made estimated tax payments.

Extension of Time to File

The extension of time for filing your return is not an extension of time for the payment of your tax. You are granted an extension of time for filing your Montana income tax return if both of the following requirements are met:

1. On or before the due date of your return, you have applied with the Internal Revenue Service for a four-month extension of time for filing your federal individual income tax return for the same year. 15-30-144(2)(a), MCA.
An additional two-month extension of time for filing your return is automatically allowed provided that you have applied with the Internal Revenue Service for an additional two-month extension of time for filing your federal individual income tax return for the same tax year and;
2. You have paid by estimated tax payments, withholding tax, or a combination of estimated tax payments and withholding tax, 90% of your current year's tax liability or 100% of your previous year's tax liability. 15-30-144(2)(b), MCA.

A valid federal extension is not considered a valid Montana extension unless you have met one of the payment requirements identified in item #2 on or before April 15, 2005. Complete the Montana EXT Worksheet "Four-Month Extension Payment Calculation" to determine if you have met the payment requirements. If you are required to make an extension payment use the tax payment coupon included on the Montana EXT Worksheet.

You must check the extension indicator box on Montana Form 2 and attach copies of your four-month and two-month federal extension forms to your completed Montana tax return. Do not send us copies of your federal extension prior to filing your return.

Failure to comply with these requirements will result in the denial of your extension and the assessment of penalties.

If You File or Pay Late

Late Filing. If you file your return late, you are assessed a late file penalty of \$50 or the amount of tax due, whichever is less.

If you are filing a return in which you receive a refund, the late file penalty is zero.

Extensions are not granted for additional time to pay.

Late Payment. If you owe tax, you are required to pay your tax on or before April 15, 2005. If you do not pay the full amount owed by this date, you are assessed a late payment penalty. The penalty is

1.5% per month or fraction of a calendar month on the unpaid tax. The penalty may not exceed 18% of the tax due.

Interest. Any tax not paid by April 15, 2005, will be subject to interest at the rate of 12% (.12) per year accrued at 1% a month or fraction of a calendar month.

Additional Information. If you are unable to pay your tax in full, file your return by the due date and pay as much tax as you can with the return. If you need to establish a payment plan with the department, contact us at (406) 444-6900 as soon as possible to discuss payment options and make payment arrangements.

Be sure your payments reflect the name and the social security number and tax year to which the payment is to be applied. If one payment is to be applied to more than one social security number, include a statement identifying how the payment is to be allocated between social security numbers.

Penalties and interest are assessed individually when you file married filing separately on the same tax form, or on separate tax forms.

Penalties and interest are assessed at a higher rate than the rates stated above if you purposely and knowingly fail to file a return timely or pay your Montana income tax.

Line- By- Line Instructions for Form 2

Filing Status (Check the appropriate box on form)

Box 1 - Single. Use Column A.

Box 2 - Married, Filing Joint Return. Use Column A. You and your spouse can file a joint return even though one of you has no income or deductions. Your joint return must include all income and deductions for both spouses. Married couples who both have taxable income may benefit by filing separately. See box 3 or 4.

Box 3 - Married, Filing Separate Returns on the Same Form (Form 2 only). Use Columns A and B. If both you and your spouse have income, you can file separate returns even if you filed a joint federal return. Each of you must claim your own income, deductions and exemptions. If one spouse itemizes deductions, the other must also. Be sure each spouse signs the return. Married couples cannot file separate on Montana Form 2S. Married persons cannot file separate on the same form when one spouse is a resident and the other spouse is a nonresident.

Box 4 - Married, Filing Separate Returns on Separate Forms (Form 2 only). Use Column A. If you and your spouse want to receive your own refund or pay your own tax or if you have different residency statuses, you must file separate returns on separate income tax forms. Be sure to include your spouse's social security number on your return.

Box 5 - Married, Filing Separate Return and Spouse is not Filing (Form 2 only). Use Column A. If both you and your spouse are nonresidents you can use filing status 5 as long as your spouse has no Montana source income. If you are a resident and your spouse is a nonresident who has no Montana source income you can use filing status 5. If your spouse is claimed as a dependent by another taxpayer, you can use filing status 5 but you cannot claim your spouse as an exemption on your return.

Box 6 (Form 2) or Box 3 (Form 2S) - Head of Household. If you qualify for federal purposes you may file your Montana return as head of household. Attach federal Form 1040 or 1040A pages 1 and 2.

Residency Status

(Check the appropriate box)

Only one residency status can be marked on a return.

Box 1 - Full-Year Resident. You are a Montana resident for tax purposes if you live in Montana or if you maintain a permanent home in Montana. You do not lose your residency when you leave the state temporarily with the intention of returning. You lose your Montana residency only when you establish permanent residency outside of Montana with no intention of returning. If you claim Montana residency for any purpose, then you are considered a Montana resident for income tax purposes unless there is a specific statutory exception.

Box 2 - Full-Year Nonresident. Check this box if you were not a Montana resident for any part of the tax year. (See instructions pages 9.)

Box 3 - Part-Year Resident. Check this box if you permanently established or ended your Montana residency during the tax year. Be sure to give the date you changed your residency and the state of residency. (See instructions pages 9.)

Exemptions

Line 1 - Yourself. You may take one exemption for yourself. Take one additional exemption if you are 65 or older and one additional exemption if you are blind. You are allowed one exemption even though you are claimed as a dependent on another return.

Line 2 - Your Spouse. If you file a joint return, you may take one exemption for your spouse. Take one additional exemption if your spouse is 65 or older and one additional exemption if your spouse is blind. If married filing separately, you can only claim your own exemption(s).

Line 3 - Children and Other Dependents. You're entitled to one exemption for each person who qualifies as a dependent. The dependent schedule on line 3 must be completed. List additional dependents on a separate sheet and attach it to the return. To qualify as a dependent, a person must meet the following requirements:

- **Income.** The dependent must have less than \$1,840 gross income. If your dependent is your child, you do not have to meet this requirement if your child was under 19 or a full-time student under age 24 for at least five months of the tax year.
- **Support.** The dependent must have received more than half of his/her support from you. If you file a joint return, the support can be from you or your spouse.
- **Married Dependent.** The dependent must not have filed a joint return with his/her spouse.
- **Citizenship or Residence.** The dependent must meet the federal requirement for citizenship or residence.
- **Relationship.** The dependent must meet at least one of the requirements listed below:

Be related to you (or your spouse if you are filing a joint return) in one of the following ways:

* Child	Stepbrother	Son-in-law
Stepchild	Stepsister	Daughter-in-law
Mother	Stepmother	or, if related
Father	Stepfather	by blood:
Grandparent	Mother-in-law	Uncle
Brother	Father-in-law	Aunt
Sister	Brother-in-law	Nephew
Grandchild	Sister-in-law	Niece

* Includes a foster child placed in your home by an authorized agency. This child must have lived in your home as a member of your household for the entire year.

Line 4 - Handicapped dependent children. You're entitled to an additional exemption for a handicapped child provided the handicapped child is

- claimed as a regular exemption, and
- at least 50% permanently disabled as certified by a physician. The physician's certification must state that the child's handicap constitutes a disability of greater than 50% to the body as a whole.

If this is the first year you are claiming the handicapped exemption you must submit with your return a physician's certification qualifying the disability. This certification remains in effect after the first year and is not required to be attached to subsequent returns unless there is a change in the dependent's physical circumstances. You must notify the department of any changes in the dependent's eligibility or the department may request verification of the dependent's continued disability.

Line 5. Total number of exemptions columns A and B.

See pages 10 and 11 for instructions for filing Form 2S.

Federal Adjusted Gross Income

Lines 6 through 18. Enter all items of your Federal AGI you reported on your federal income tax return. This includes the portion of social security income that is taxable for federal purposes. Married persons filing separately must allocate income based on percentage of ownership. Attach copies of applicable federal schedules and forms.

Line 8 - Ordinary Dividend Income. Enter total amount reported on line 9a of Federal 1040, or line 9a of Federal 1040A. Montana taxes dividends as ordinary income and does not recognize the federal qualified dividend tax rate.

Line 19 - Adjustments to Income.

- **Educator Expense deduction.** Enter amount from line 23 of Federal 1040, or line 16 of Federal 1040A.
- **Reservists, Performing Artists, and Fee-basis Government Officials deduction.** Enter amount from line 24 of Federal 1040. (Attach Form 2106 or 2106-EZ)
- **Individual Retirement Account (IRA).** Enter amount from line 25 of Federal 1040, or line 17 of Federal 1040A. If your filing status on your federal return is married filing jointly, and on your Montana return you checked Box 3, 4 or 5, married and filing separately, see IRA instructions on Form W, Worksheet I, page 12.
- **Student loan interest deduction.** Enter amount from line 26 of Federal 1040 or line 18 of Federal 1040A.
- **Tuition and fees deduction.** Enter amount from line 27 of Federal 1040 or line 19 of Federal 1040A.
- **Health savings account deduction.** Enter amount from line 28 of Federal 1040. (Attach Form 8889)
- **Moving expense.** Enter amount from line 29 of Federal 1040. (Attach Federal Schedule 3903)
- **Self employment tax.** Enter amount from line 30 of federal Form 1040.
- **Self employment health insurance deduction.** Enter the amount from line 31 of Federal 1040.
- **Self-employed/SEP.** Enter amount from line 32 of Federal 1040.
- **Penalty on early withdrawal of savings.** Enter amount from line 33 of Federal 1040.
- **Alimony.** Enter amount from line 34a of Federal 1040.
- **Other.** Refer to line 35 of the Federal 1040 instructions for a list of other adjustments to income. If you are filing a federal nonresident alien income tax return, include on line 19 exempt tax treaty income to the extent it is included in lines 6 through 17.

Line 20. Subtract line 19 from line 18 to arrive at your federal adjusted gross income. Total of columns A and B must agree with your federal adjusted gross income.

Additions to Income

Line 21. Include your interest and dividend income from bonds and obligations of other states or their political subdivisions. Interest and dividend income from Montana municipal bonds is not taxable.

Line 22. If you received refunds, rebates or reimbursements for any expense you previously deducted on Form 2A (itemized deductions), complete Form W, Tax Benefit Rule Worksheet II on page 12, to figure the amount to include in income. If you recovered amounts in the current year which are attributable to more than one prior year, (i.e. a federal income tax refund from 2002 and a reimbursement of medical expenses you deducted in 2001), complete a separate worksheet for each year. Use information from Form 2A for the year the expense was deducted.

If you and your spouse filed a joint federal return and are filing married filing separate state returns, you must each complete a separate Tax Benefit Rule worksheet. The federal refund must be prorated using the ratio of your (1) federal tax reported as an itemized deduction on your prior year return by each spouse to (2) the total federal taxes deducted.

Line 23 - Other Additions. Please specify.

- **Social Security.** To calculate the portion of your social security benefits taxable to Montana, complete Form W, Social Security Worksheet VIII on page 15. You must complete Form W, Pension and Annuity Worksheet IV on page 13, before beginning the social security worksheet. If the social security benefits taxable to Montana are greater than your taxable federal social security, enter the difference on line 23, Form 2.
- **Passive and Rental Income and Losses.** If you filed a joint federal return and are filing a separate Montana return, you must recompute allowable passive activity losses according to the federal passive activity rules for married filing separate status.

For each spouse, complete and attach federal Form 8582, Passive Activity Loss Limitations, using the married filing separate rules to determine your allowable passive activity losses for Montana. Enter the difference between the passive losses reported on Form 2, line 12 under the married filing joint rules and the allowable passive losses computed on Form 8582 under the married filing separate rules on line 23. The unallowed losses added back on line 23 are carried forward to the following year or years until used (see line 35 instructions in this booklet to claim unallowed losses).

The special allowance for losses from rental real estate activities in which you actively participate, which is allowable if you file a joint return, is disallowed if you file married filing separately and you lived with your spouse at any time during the year.

For additional passive activity information, please refer to IRS Publication 925, Passive Activity and At-Risk Rules.

- **Independent Liability Funds.** If you receive any principal upon the termination of an independent liability fund you must report this amount as income.
- **Capital Loss.** If you and your spouse file separately, you must claim your own capital loss which is limited to \$1,500 each. If the capital loss claimed on line 10 is greater than \$1,500, report the excess on line 23.
- **Allocation of Income to Spouse.** If your spouse regularly performs substantial personal services in operating your business for which he or she is not paid a salary or wage, you can assign to your spouse reasonable pay for this service. Compensation must be determined on the basis of the reasonable rate of pay appropriate in your area for the particular type of personal services performed. Services performed by operating a household or services which are incidental to the operation of the business may not be used as a basis for this allocation. Attach an explanation sheet to the return showing how the allocation of income was determined. The allocation of income must appear on line 23 as an addition to your spouse's income and on line 35 as a reduction of your income.
- **Montana Net Operating Losses.** Use Form NOL (Rev. 8-04) for calculating your net operating loss for tax years beginning after December 31, 1998. You must carry back the entire amount of a 2004 net operating loss to the two tax years before the net operating loss unless you have timely elected to forgo the two year carry back and elect to carry forward the NOL. The election must be made by the due date of the return and once it is made it is irrevocable.
Use Form NOL-Pre 99 for calculating your net operating losses for the years prior to January 1, 1999. Complete and attach the appropriate NOL Worksheets.
- **Dependent Care Assistance Credit.** If you took dependent care assistance as a deduction on federal Schedule C and are taking the Montana dependent care assistance credit, you must add back the amount of assistance deduction that the federal credit is based on.
- **Medical Care Savings Account or First Time Homebuyer Savings Account.** You must report all non-qualified withdrawals from your Montana Medical Care Savings Account or First Time Homebuyer Savings Account as income on line 23. See line 48 instructions for penalties.
- **Student Loan Interest or Tuition and Fees.** If you are married and filing separate on the same form or different forms for Montana you are not allowed to deduct student loan interest or tuition and fees. If filing separately, student loan interest or tuition and fees reported on line 19 must be added back to Montana income on line 23.
- **Farm and Ranch Risk Management Account Distribution.** If you have a distribution from your Farm and Ranch Risk Management Account during the tax year you must report it as income unless the distribution or portion of the distribution was not excluded from adjusted gross income in the year the deposit was made.

gross income deposits into a farm and ranch risk management trust account. You are limited to one account for each sole-proprietor or family farm corporation. You may exclude the lesser of 20% of your net income attributable to agricultural business which is included in your federal adjusted gross income or \$20,000 a year.

See Montana Form FRM for detailed instructions. Complete Form FRM and attach it to your tax return

Line 27 - Interest Exclusion for Elderly. You may exclude up to \$800 of interest income if you're 65 or older, and filing single, separate, or head of household. You may exclude up to \$1,600 if filing jointly, even if only one spouse is 65 or older. If you're married filing separately, only the spouse 65 or older can exclude up to \$800 of interest. However, if both spouses are 65 or older, each is allowed to exclude up to \$800 interest when filing separately. The exclusion can not exceed the amount of interest income reported in your gross income. Interest income includes distributions commonly called dividends on deposits or share accounts.

Line 28 - Interest Income Exclusion. Interest income received on obligations of the United States Government and its possessions is exempt from Montana income tax if the instruments are written documents, bear interest, and contain a binding promise by the United States or its possessions to pay specified sums at specified dates. They must also contain specific Congressional authorization which pledges the full faith and credit of the United States in support of the promise to pay. If any one of these conditions is not met, the interest is taxable to Montana. Obligations that are taxable include, but are not limited to, GNMA's and FNMA's.

Mutual fund dividends derived from qualifying U.S. Government interest, is exempt from Montana income tax. See your annual mutual fund statement (1099-DIV) to determine what percentage of your dividends qualifies for this exemption.

The combination of line 27 and line 28 cannot exceed the amount included as income on line 7 and 21.

Line 29 - Pension and Annuity Income Exclusion. Attach copies of Form 1099R, and RRB-1099R

If you received disability pension (Form 1099R, distribution Code 3), use the disability pension worksheet Form DS-1.

Tier II Railroad Retirement benefits, received from the Railroad Retirement Board are exempt from Montana tax. Enter the full amount of Tier II annuity or pension benefits reported on line 14b as a reduction to income on line 29.

You may be able to exclude up to \$3,600 of taxable pension and annuity income. Qualifying pension and annuity income is reported on Form 1099R, with a distribution code 7. If your federal adjusted gross income on Form 2, line 20 is less than \$30,000, and your filing status is single, married filing separate or head of household and you have taxable pension and annuity income reported on line 14b, enter the smaller of your taxable pension and annuity income or \$3,600 on Form 2, line 29. If you filed married filing separately, the \$30,000 limit applies to each spouse. If your federal adjusted gross income on Form 2, line 20 is less than \$30,000 and your filing status is joint and both you and your spouse have taxable pension and annuity income reported on line 14b, enter the smaller of your combined taxable pension and annuity income or \$7,200 (if both spouses have at least \$3,600 in taxable pension and annuity income) on Form 2, line 29.

If your federal adjusted gross income on Form 2, line 20 is larger than \$30,000 but less than \$31,800 and your filing status is single, married filing separate, or head of household (less than \$33,600 if married filing joint and both spouses have pension income) calculate your exclusion using Form W, Pension and Annuity Exclusion Worksheet IV on page 13.

If your federal adjusted gross income on Form 2, line 20 is \$31,800 or greater and your filing status is single, married filing separate, or head of household (\$33,600 if married filing joint and both spouses have pension income) you are not entitled to the pension and annuity exclusion.

Premature distributions, early withdrawals and disability payments do not qualify for this exclusion.

Line 30 - Unemployment Benefit Exclusion. Unemployment benefits received from Montana or other states are not taxable in Montana.

Exclusions and Reductions to Income

Line 26 - Farm and Ranch Risk Management Account Exclusion. An individual or family farm corporation may exclude from adjusted



Line 31 - Medical Care Savings Account Exclusion. You and your spouse may establish a separately owned Medical Care Savings Account and exclude from adjusted gross income annual contributions of not more than \$3,000 plus interest or other income earned on the account. Within certain limitations, the contributions to the account will be tax-free as long as they are used for eligible medical expenses. Eligible expenses paid with account funds can not be deducted elsewhere on the return. Non-qualified withdrawals are subject to tax and penalties. Contributions to a federal HSA reported as an adjustment in determining federal adjusted gross income on Form 2, line 19, are not considered contributions to the Montana medical care savings account. Eligible medical expenses for purpose of the Montana medical care savings account do not include medical expenses paid with funds withdrawn from a federal HSA. See Montana Form MSA for detailed instructions. Complete and attach Form MSA to your tax return.

Line 32 - Family Education Savings Account Exclusion. You may deduct up to \$3,000 per year for contributions made to one or more accounts established under the Montana family education savings program. If married, you and your spouse are each entitled to the \$3,000 deduction. The contribution must be made to an account where the account owner is yourself, your spouse or your child or stepchild as long as your child or stepchild is a Montana resident. Non-qualified withdrawals are subject to an 11% recapture tax. See line 48 instructions for your recapture tax. To establish a Family Education Savings Account and for additional information call the Montana Family Education Savings Program at (800) 888-2723 or visit them at www.montana.collegesavings.com/.

Line 33 - First-Time Home Buyers Savings Account Exclusion. If you are a qualifying individual you may exclude from income up to \$3,000 per year (\$6,000 if filing jointly) for contributions made to a first-time home buyer's savings account. Interest earned on the principal is also excludable from income. Withdrawals from an account for eligible cost for the first-time purchase of a single-family residence are exempt from tax. Non-qualified withdrawal of funds not used in the purchase of a home is subject to a 10% penalty and taxed as ordinary income. See Montana Form FTB for detailed instructions. Complete Form FTB and attach it to your tax return.

Line 34 - Health Care Professional Loan Payment Exclusion. If you are a health care professional licensed in Montana, you may be eligible to exclude from adjusted gross income the amount of your health related student educational loan repayment, up to \$5,000 paid on your behalf within the tax year. To be eligible for this exclusion you must participate in a federal, state, or qualified private loan repayment program. These repayment programs are generally through the U.S. Department of Health and Human Services National Health Service Corp. and their Nursing Education Loan Repayment Program, the Montana Rural Physician Incentive Program, or a qualified private program with a licensed health care facility in Montana. To qualify for the exclusion, you must serve a significant portion of a designated geographic area, a special population, a federally designated health professional shortage area, a medically underserved area, or a federal nursing shortage county. Contact the Montana Department of Public Health and Human Services Primary Care Office at (406) 444-3934 for verification of qualified HPSA, MUA and MUP's and eligibility.

Line 35 - Other Exclusions and Reductions.

- **Capital gain exclusion.** If you had an installment sale(s) of a capital asset(s) which you entered into before January 1, 1987 you may be able to take a capital gain exclusion of 40%. Compute your exclusion on Form W, Worksheet III, Page 12.
- **Health insurance paid by S. corporations.** If you are a shareholder, you are allowed to deduct health insurance premiums paid on your behalf by an S. corporation if the cost of the premiums are included in your federal adjusted gross income.
- **Child's income exclusion.** If you file federal Form 8814 (Parents' Election to Report Child's Interest and Dividends), exclude from your income the amount reported as "Form 8814" income on the "Other income" line of your federal return and on line 17 of your Montana return. Your child must file a Montana return if he or she otherwise meets the income filing requirements listed on page 1.

- **Tip Income.** Tip income is excludable if it is included in your federal adjusted gross income, and received for services to patrons of a licensed business that provides food, beverages or lodging.
- **State Refunds.** If included on line 17, deduct state refunds here.
- **Disability Income Exclusion.** You may subtract from gross income up to \$5,200 a year of your disability payments, reported as distribution Code 3 on Form 1099R. Use Form DS-1 to calculate your deduction and attach it to your tax return.
- **Deduction for Purchase of Recycled Material.** You may take an additional 10% deduction of the expenses related to the purchase of recycled products used within Montana in your business if the recycled products purchased contain at least 90% reclaimed material.
- **Wages Covered by Federal Targeted Jobs Credit.** As an employer, you can deduct wages and salaries reduced by the amount of the federal targeted jobs credit or by work incentive program credits. Deduct the wages and salary paid regardless of the amount of the credits from your Montana adjusted gross income. The deduction must be taken in the year the wages and salaries are used to compute the federal credit.
- **Land Sales to Beginning Farmers.** You can deduct from your taxable income the income or capital gain realized from the sale of land consisting of 80 acres or more sold to a beginning farmer at a maximum of 9% interest. The transaction must first be approved by the Agricultural Loan Authority. The maximum deduction allowed is \$50,000. A copy of your letter of approval from the Department of Agriculture must be attached. 80-12-211, MCA.
- **Passive Loss Carryover.** You may be allowed to claim prior year disallowed passive activity losses if you have current year passive activity income or if you sell or exchange your entire interest in the activity in a fully taxable transaction to an unrelated party. Previously disallowed losses may also be claimed in the current tax year if you file a joint return. Complete federal Form 8582, Passive Activity Loss Limitations, to determine the amount of passive loss carryover you can claim. If you qualify, enter the allowable passive loss carryover on line 35 and attach copies of Form 2, page 1, from previous years tax returns on which you reported unallowed losses.
- **Indian Income.** If you are an enrolled tribal member of the reservation on which you work and reside, income derived from reservation sources is not subject to the Montana individual income tax. If you reside and/or work outside the exterior boundaries of your reservation or if your income is not derived from reservation sources, your income is subject to the Montana individual income tax. If you receive income derived directly from allotted or restricted lands held in trust by the United States, such income is not taxable in Montana. You are required to file a Montana income tax return even though your income may not be taxable if you meet the filing requirements found in the chart on page 1. Complete Form IND, Certification of Enrollment including proof your income was derived from reservation sources, and attach it to your return.
- **Military Salary Exclusion.** Your basic, special, and incentive pay received for serving on active duty as a member of the regular Armed Forces is exempt from Montana tax. Basic, special, and incentive pay received by a member of a reserve component of the Army, Navy, Marine Corps, Air Force, or Coast Guard, or by a member of the National Guard for active duty in a "contingent operation" as defined in 10 U.S.C. is exempt from Montana tax. Basic, special, and incentive pay received by a member of the National Guard for active service authorized by the president of the United States or the secretary of the defense for a period of more than 30 consecutive days for the purpose of responding to a national emergency declared by the president and supported by federal funds is exempt from Montana tax. Attach verification, such as a copy of your orders, which specifies that your military salary is exempt.
- **Social Security.** Complete Social Security Worksheet VIII on Form W, page 15 of this booklet after completing the pension and annuity worksheet on page 13. If the portion of your social security benefits that is taxable to Montana is less than the federal taxable amount, enter the difference. Attach the worksheet to your tax return.
- **Allocation of Income to Spouse.** See instruction on Page 4, line 23.
- **Montana Net Operating Losses.** Use Form NOL (Rev. 8-04) for calculating your net operating loss for tax years beginning after

December 31, 1998. You must carry back the entire amount of your 2004 net operating loss to the two preceding tax years before your net operating loss unless you have timely elected to forgo your carry back and elect to carry forward your NOL. Your election to forgo the carryback must be made by the due date of your return and once it is made it is irrevocable.

Use Form NOL-Pre 99 for calculating your net operating losses for tax years beginning prior to January 1, 1999. Attach your completed NOL Worksheet to your return.

Line 39 - Itemized and Standard Deductions.

Standard Deduction - See Form W, Worksheet V, page 13.

Itemized Deductions - See instructions on pages 7 and 8.

If you and your spouse file separate returns, you both must itemize deductions or you both must claim the standard deduction.

Line 40 - Exemptions. Multiply \$1,840 by the number of exemptions in box 5 on the front of Form 2.

Tax Computation

Line 43. Compute the tax using the tax table on the back of Form 2.


Line 44. If you qualify on your federal return for special averaging of your lump-sum distribution and have not included it as ordinary pension income in federal adjusted gross income you must pay Montana income tax on this distribution. Your Montana tax liability on the lump-sum distribution is 10% of the federal tax calculated on federal Form 4972. Part-year residents must calculate the tax on all lump sum distributions received while residing in Montana. Attach a copy of federal Form 4972.

Line 46 - Credits. Enter the total from Form 2A, Schedule II, line 112.

Line 48 - Other Taxes, Penalties, and Repayments.

- **Family Education Savings Account Recapture Tax.** If you have a recapturable withdrawal from a family education savings account you must pay an 11% recapture tax on this withdrawal. A recapturable withdrawal is a withdrawal that is not used for qualified higher education expenses, or a withdrawal from an account within three years from the date opened. Do not include a recapturable withdrawal in your gross income. Calculate the 11% recapture tax and enter this amount on line 48 and write on the dotted line "recapture tax."
- **First Time Home Buyer Savings Account 10% Penalty.** If you withdrew funds from a First Time Home Buyer Savings Account for purposes other than eligible cost, you are subject to a 10% penalty on the amount of the withdrawal unless you withdrew these funds on the last business day of the account administrator's business year which means the last weekday in December. Complete Form FTB-P and enter the amount of the penalty on line 48 and attach a copy of Form FTB-P to your return.
- **Medical Care Savings Account 10% Penalty.** If you withdrew funds from a Medical Care Savings Account for purposes other than eligible medical expenses you are subject to a 10% penalty on the amount of the withdraw unless you withdrew these funds on the last business day of the account administrator's business year which means the last weekday in December. Complete Form MSA-P and enter the amount of the penalty on line 48 and attach a copy of Form MSA-P to your return.
- **Farm and Ranch Risk Management Account 10% Penalty.** If you have not distributed your deposits and income from your Farm and Ranch Risk Management account within the 5 year eligibility period you must pay a 10% penalty on the tax due on the distributed amount. Enter the amount of the penalty on line 48 and write on the line FRM.
- **Rural Physician Tax Credit Repayment.** If you have previously claimed the Rural Physician Tax Credit and have ceased practice in the rural area within four years following the year in which you claimed the credit you must repay the credit. Enter the amount of your repayment on line 48 and write on the line "Rural Physician Tax Credit."

Lines 49-51 - Check-Offs. You can contribute any amount to the program(s) of your choice. A contribution will increase your existing tax liability.

 **Nongame Wildlife Program (line 49).** Contributions are used to ensure the well-being of Montana's watchable wildlife species, such as eagles, herons, bluebirds, great horned owls, loons, chipmunks, pikas, flying squirrels and painted turtles.



Child Abuse and Neglect Prevention Program (line 50).

Contributions fund services and activities related to the prevention of child abuse and neglect. If you enclose a separate check with your timely filed return you are allowed to take an itemized deduction for the amount of the contribution on the return you are filing with the contribution.



Agriculture in Montana Schools Program (line 51).

Contributions fund the development and presentation of educational programs. This program ensures Montana's young people have a better understanding of agriculture in our state and how it relates to the rest of the world.

Line 55. Enter the amount of Montana income tax withheld as shown on your withholding tax statements. Attach withholding statement(s) (W-2's and 1099R's) to your return.

Line 56. Enter your total Montana estimated tax payments for 2004. Include overpayments from 2003 which were credited to 2004. If you paid tax for a previous year, that amount cannot be claimed as an estimated tax credit on line 56. If you are a shareholder, partner, or member of a S. corporation, partnership or a disregarded entity in which the entity withheld state income tax from your distributed share of the income and reported this amount to you on Montana Form PT-WH, include this amount as an estimated payment on line 56 and attach a copy of Montana Form PT-WH to your return.

Line 57. Enter payment made from the Four-Month Extension Payment Calculation, Form EXT-04 Worksheet.

Line 58 - Elderly Homeowner/ Renter Credit. To determine if you qualify, see detailed instructions on Form 2EC.

Line 61 - Amount Overpaid. If line 60 is larger than line 54, enter the difference. This is your overpayment. You can choose to have all or part of this amount refunded to you (line 63). The remainder, if any, can be applied to your estimated tax for 2005 (line 62). Only overpayments of more than \$1 will be refunded.

Line 62. Enter the amount from line 61 you want applied to your Estimated Tax for year 2005.

Direct Deposit

Line 63. Enter the amount from line 61 you want refunded to you. If you wish to use direct deposit, enter your RTN# and ACCT# in the appropriate spaces below line 63. The routing number must be nine digits. The account number can be up to 17 characters (both numbers and letters). The direct deposit will be rejected if the routing and accounting numbers are not correct. If the numbers are incorrect, a check will be mailed to you instead. See sample below.

Sample

Paul Taxpayer
Lillian Taxpayer
23 Main Street
Anyplace, MT 59000

1234
Dollars

Pay to the
Order of

Anyplace Bank
Anyplace, MT 59000

Routing Number: 125000000
Account Number: 120000000861234

Do not include the check number in the account number

Line 64 - Tax Due. If line 54 is larger than line 60, enter the difference. This is your tax due. Make your check or money order payable to the Department of Revenue. Be sure your social security number and tax year is on your check or money order. Send your payment with the coupon provided in this booklet along with your tax return.

If you wish to pay your tax due by credit card or electronic check, visit Income Tax Express on our website at www.discoveringmontana.com/revenue. Only Mastercard and Visa are accepted. Be sure to write your confirmation number in the space provided on Form 2, page 2.

Filing on time will prevent a late file penalty assessment. See page 2. If you cannot pay all of your tax with your return, file your return and pay as much as possible. If you need to establish a payment plan, contact us as soon as possible to discuss payment options and make payment arrangements. Call (406) 444-6900.

File on time to prevent a late file penalty. See page 2. Be sure to include a daytime phone number next to your signature on the tax form.

Income Tax Withholding for 2005. If the amount you owe (line 64) or the amount you overpaid (line 61) is excessive, see your payroll office. Ask about filling out a new Form W-4 for Montana purposes to change the amount of income tax to be withheld from your state wages. Your federal withholding can remain unchanged.

Line 65. If you were required to make estimated tax payments and did not remit the required amounts, you must pay underpayment interest. Complete Form W, Worksheet VII, page 14, to calculate the interest.

Line 66. If you file your return late, you must pay a late file penalty of \$50 or the amount of tax owing, whichever is lower. There is no late file penalty if you owe no additional tax or you are receiving a refund.

Line 67. If you do not pay your tax by the due date of your return, you must pay a late pay penalty. The penalty is 1.5% per month or fraction of a month on the unpaid tax. The penalty will not exceed 18% of the tax due.

Line 68. Interest will be assessed on any tax not paid by April 15, 2005. Interest is 12% per year accrued at 1% per month or fraction of a calendar month. April is considered as one month.

2005 Declaration and Payment of Estimated Tax

If you expect to owe at least \$500 additional tax after applying your withholding and tax credits, you may need to make estimated tax payments in 2005. Contact the department to obtain estimated tax payment information and vouchers.

Schedule I Form 2A Itemized Deductions

Your Montana itemized deductions may be different than your federal itemized deductions. Complete Schedule I, Form 2A to calculate itemized deductions for Montana.

If you itemize deductions, you must mark box B on line 39, Form 2, and attach a copy of Form 2A to your return. If you fail to do either, the processing of your return will be delayed and your return may be adjusted.

Line 70 - Medical Insurance Premium. 100% of your qualifying medical insurance premiums are deductible. Do not include amounts reported on lines 19 and 35 of Form 2 and line 74 of Form 2A. Please read the following conditions to determine if your insurance premiums qualify:

- The premiums must be paid for health/medical insurance coverage (life insurance does not qualify).
- You must pay the premium. Premiums paid by your employer or someone else do not qualify unless the cost of the premium is included in taxable income.
- Premiums paid through a federal or state medical care savings account (HSA or MSA) are not deductible.
- Premiums must have been paid with after-tax dollars. Insurance premiums deducted from wages, but not subject to federal and state withholding tax or social security tax, do not qualify for the deduction because the premiums are paid with pre-tax dollars. Earnings used to pay pre-tax premiums are not included as taxable wages in box 1 or box 3 of Form W-2. Most employers who have a health insurance plan for employees deduct insurance premiums from wages on a pre-tax basis. You may need to check with your employee benefits/payroll office to determine if your insurance premiums are deducted on a pre-tax or after-tax basis.
- Self employed persons and S. corporation shareholders who claim insurance deductions on lines 19 and 35 of Form 2, must reduce their total premiums by these amounts.
- Medicare B insurance premiums deducted from your social security benefits may be used to calculate the deduction.
- Medicare A premiums do not qualify for this deduction. Medicare tax withheld from wages or paid as part of self employment tax are not deductible.

Lines 71, 72 and 73 - Medical and Dental Expenses. On line 71, enter your deductible medical expenses. Montana allows the same items to be deducted that are deductible for federal income tax purposes. You must subtract from your federal medical care expenses any medical insurance premiums included on lines 19, 35 or 70. Medical expenses paid through a Montana medical care savings account or a federal health savings account are not deductible. Medical expenses on line 71 must be reduced by 7.5% (.075) of your Montana adjusted gross income (line 38). Enter the allowable medical expense deduction on line 73. Examples of

allowable medical expenses include prescription medicines; doctor, dentist and hospital expenses; medical related transportation and lodging; hearing aids; dentures; and eyeglasses.

Line 74 - Long Term Care Insurance. Enter the total amount of qualifying premium payments you made for long term care insurance. You may include the premiums you paid for yourself, your dependents, your parents or grandparents. Premiums deducted elsewhere on your return may not be claimed. If you are claiming the Montana elderly care credit (Form ECC; line 99 of the Montana return), you may not claim this deduction. Premiums are deductible if they are paid for long term care insurance that provides coverage primarily for any qualified long term care service as defined in 26 U.S.C. 7702B(c).

Lines 75 - through 79 - Federal income tax paid. Self-employment tax is not a federal income tax and cannot be deducted.

Line 75. Enter the amount of federal tax withheld from your wages and/or your pensions and annuities. Be sure to attach copies of your W-2's and 1099's to your return to verify the amounts claimed.

Line 76. Enter the amount of federal estimated tax payments made in 2004. Attach copies of pages 1 and 2 of your federal return (Form 1040 or 1040A).

Line 77. Enter the balance of your 2003 federal income tax paid in 2004.

Line 78. Enter additional federal income tax paid in 2004 for years prior to 2003.

Line 79. Add lines 75, 76, 77 and 78. Enter the total on line 79.

Line 80. Enter your real estate and personal property taxes paid during the tax year.

Line 81. Enter your motor vehicle taxes and fees paid which are based on the value of your vehicle including the Montana light vehicle registration fee. Taxes and fees which are deductible on the Montana vehicle registration receipt include codes 02-DOTRAT, 07-AVTAX, 08-BKAVTX, 14-COOPT, 61-REGRAT and 62-BKRGRT.

You cannot deduct state income tax paid or withheld, federal excise taxes, gasoline tax, social security tax (FICA), tax on alcoholic beverages or tobacco, accommodations tax, license fees (hunting, fishing, driving, etc.), or selective sales taxes.

NEW As in previous years, you cannot deduct state and local income taxes on your Montana return. At the time these instructions were sent to print, proposed changes to federal law, which provide an election to deduct state and local general sales taxes in lieu of state and local income taxes were pending. Visit our web site for instructions on the deductibility of state and local sales taxes.

Line 82. Enter home mortgage interest and deductible points allowed on your federal return. If you pay interest to an individual, provide his or her name, social security number and address.

Line 83. Enter deductible investment interest and attach federal Form 4952. If you file separate, the deduction must be computed for each taxpayer. Interest expense related to exempt income is not deductible.

Line 84 - Contributions. You can deduct what you gave to qualified organizations as authorized by federal law. Deduction limitations are based on Montana adjusted gross income and not on federal adjusted gross income. Contributions that are used in calculating the qualified endowment credit or the developmental disability account contribution credit are not deductible.

NEW You may take a deduction for contributions made to the Montana veterans' service account, the state veterans' cemetery program or for the surcharge when purchasing patriotic specialty license plates, unless the amount is previously deducted under federal law. If you contribute to the veterans' special revenue account or the state veterans' cemetery program by issuing a separate check and attaching it to Montana Form VT and remitting it with your current tax return, you may take the deduction for the year the donation is made.

Line 85 - Child and Dependent Care Expense. Payments you made for child or disabled dependent care while you and your spouse both worked or looked for work may qualify for a deduction. To qualify you must maintain a home that included a child under 15 or a dependent or spouse unable to care for himself or herself, and meet certain income requirements. The deduction must be divided equally between spouses when filing

separate on the same form. If married filing on separate forms, you cannot take the credit. If you are a licensed and registered day care operator providing day care for your own child and one additional child, see instructions on Form 2441-M.

You qualify if the total Montana adjusted gross income of both spouses:

Is Under	And You Have	
\$22,800	1 child	} You qualify
\$25,200	2 children	
\$27,600	3 or more	

Complete Form 2441M and attach it to your tax return.

Line 86 - Casualty or Theft Loss. Attach federal Form 4684. You may deduct casualty and theft losses subject to the limitations established by federal law. Use Montana adjusted gross income in your computation on Schedule 4684. If you file separately, the deduction must be computed for each taxpayer.

Miscellaneous Deductions

Line 87 - Unreimbursed Business Expenses. Attach federal Form 2106.

Line 88. You may deduct other miscellaneous expenses subject to the limitations of federal tax law. In addition, Montana allows you to deduct up to \$100 in political contributions made during the tax year. If you are married, both spouses may deduct up to \$100 in political contributions. Only expenses which exceed 2% (.02) of your Montana adjusted gross income are deductible. Figure your limitation and allowable expenses on lines 90 and 91.

Line 92. Enter miscellaneous deductions not subject to 2% (.02) of adjusted gross income. In addition to miscellaneous deductions allowed for federal income tax purposes, Montana provides a deduction for the expense of purchasing organic fertilizer and inorganic fertilizer (produced as a by-product of mining or industrial operations in Montana).

You may not include expenses deducted elsewhere on your tax return.

Line 93 - Gambling Losses. Include gambling losses allowed by federal law. For married couples filing separate, gambling losses must be claimed by the spouse reporting the gambling income.

Line 94b. If the amount on Form 2, line 38 is more than \$142,700 (\$71,350 if married filing separately), you may not be able to deduct all of your itemized deductions. Complete Form W, Worksheet VI, page 14 to determine the amount you may deduct.

Tax Credits

Line 96 - Rural Physician's Credit. If you are a physician who commences practice in an area without a 60 bed hospital located within a 30 mile radius, you may claim a credit against your individual income tax liability. The credit may be claimed for four consecutive years beginning with the year in which your practice starts. You must commence practice in the first year the credit is claimed and maintain the practice for at least 9 months in the taxable year to be eligible for the credit. The credit may not be used for any taxable year in which you cease your practice in a rural area. If you cease to practice in the rural area within 4 years following the year in which the credit was allowed, you must repay the amount of the credit claimed for that year. Include with your return, a statement providing the following information:

- Date your practice began
- Location of your practice (street address and town)
- Nature (medical area of your practice)
- Nearest hospital.

The credit is \$5,000 a year and may be used only to offset your tax liability. Enter your credit amount on Form 2A, Schedule II.

Line 97 - College Contribution Credit. You may take a credit for contributions made during the year to the general endowment funds of the Montana University System foundations or a private Montana college, or its foundation. The credit is 10% of your aggregate contributions with a maximum credit of \$500. The college must offer a baccalaureate degree level education program. This contribution may also be claimed as an itemized deduction on Form 2A, subject to the normal limitations. Complete Form CC and attach it to your tax return.

Line 98 - Qualified Endowment Credit. You are allowed a credit for 40% of the present value of a planned gift made during the tax year to a qualified Montana endowment or for your proportionate share of a charitable gift made by a pass-through entity. The credit may not exceed your tax liability and may not be carried over. The present value of the gift used in calculating the credit may not be claimed as an itemized contribution deduction. See Form QEC for detailed instructions. Complete Form QEC and attach it to your tax return.

Line 99 - Elderly Care Credit. You may be eligible to receive a credit for paying certain expenses of an elderly family member who is 65 or older or who has been determined disabled for social security purposes. See Form ECC for detailed instructions. Complete Form ECC and attach it to your tax return.

Line 100 - Credit for Income Tax Liability Paid to Another State or Country. (Full year or part-year resident only) If you are a full year resident or a part year resident you may be entitled to a credit against your Montana income tax liability for income taxes you paid to another state or country on income which is also taxable by Montana. If you are a part-year resident, the income tax credit is allowed only on that portion of income tax paid to another state or country on income that is taxable by Montana and reported on Form 2A, page 2, Schedule III, line 124. Complete Form 2A, page 3, Schedule V if you are a full year resident. Complete Form 2A, page 3, Schedule VI if you are a part-year resident.

If you are a shareholder of an S. corporation or a partner of a partnership and your S. corporation or partnership pays an income tax to another state or country you may claim a credit for your share of these income taxes paid by the entity. In order to claim this credit the income tax paid must be measured by and imposed on net income and includes an excise tax or franchise tax that is imposed on and measured by net income. The credit is not allowed for other taxes paid by an entity, such as, but not limited to, franchise or license taxes or fees not measured on net income, gross receipt tax or gross sales tax. If you are claiming this credit for taxes paid by an entity you must add back to income on Form 2, line 23, your share of the entity's deduction for income tax paid, whether separately or non-separately stated on your Federal K-1.

A separate computation must be made for taxes paid to each state or country, and your total credit cannot exceed your tax liability. The credit must be supported by a copy of your tax return(s) filed with the other state or country.

You are not entitled to this credit if the other state or country allows you a credit against the taxes imposed by the other state or country for taxes paid or payable to Montana. You are not allowed to use penalties and interest paid in connection with an income tax when calculating this credit. Enter your credit on Form 2A, page 2, Schedule II.

Line 101 - Contractor's Gross Receipts Tax Credit. You are allowed a credit against your Montana income tax liability for the public contractor's gross receipts tax you paid. If you report your income from contracts on a percentage-of-completion basis, the credit must be pro-rated accordingly. The allowable credit is the actual gross receipts tax paid after taking the personal property tax credit. The credit cannot be in excess of your tax liability. Attach a schedule to the return showing contractor's name, date and amount of contract, primary contractor, subcontractor and location of job.

Line 102 - Alternative Energy Systems Credit. You may claim a credit for a percentage of the cost of installing a geothermal or an alternative energy system. Examples of these systems are solar energy, wind energy, and low emission wood or biomass combustion devices. See Form ENRG-B for detailed instructions. Complete Form ENRG-B and attach it to your tax return.

Line 103 - Energy Conservation Installations Credit. You may claim a credit for a percentage of the cost of an investment for energy conservation purposes in a building. An eligible expense is "the installed cost of materials and equipment which reduce the waste or dissipation of energy or reduce the amount of energy required to accomplish a given amount of work."

The maximum credit is \$500 for investments in the physical attributes of a building or for investing in a water, heating or cooling system. See Form ENRG-C for detailed instructions. Complete Form ENRG-C and attach it to your tax return.

Line 104 - Alternative Energy Production Credit. You may claim a credit for a qualified investment of \$5,000 or more. The alternative energy system must be located in Montana. See Form AEPC for detailed instructions. Complete Form AEPC and attach it to your tax return.

Line 105 - Recycle Credit. You may claim a credit for investments in depreciable equipment or machinery used to collect, process or manufacture a product from reclaimed material. See Form RCYL for detailed instructions. Complete Form RCYL and attach it to your tax return.

Line 106 - Dependent Care Assistance Credit. If you are an employer you may claim a credit against your personal income tax liability for the amount paid or incurred during the taxable year for dependent care assistance provided to your employees. See Form DCAC for detailed instructions. Complete Form DCAC and attach it to your tax return.

Line 107 - Health Insurance for Uninsured Montanans Credit. If you are an employer you may claim a credit against your personal income tax liability for a percentage of premium payments made in providing health insurance for your employees. See Form HI for detailed instructions. Complete Form HI and attach it to your tax return.

Line 108 - Credit for the Preservation of Historic Property. A credit equal to 25% of the federal rehabilitation credit provided for in IRC Section 47(a)(2) is allowed on qualifying historic buildings. Attach federal Form 3468 to the return. As an alternative to the federal rehabilitation credit, you may take a credit equal to 20% of the cost of creating a conservation easement and for the diminishing value of historic property, including buildings and structures that result from placing a conservation easement on the property.

Line 109 - Developmental Disability Account Contribution Credit. You are allowed a credit against your Montana income tax liability equal to 30% of the contributions made during the year to the Montana Developmental Disability Service Account under 52-70-171, MCA. The maximum credit allowed is \$10,000, and may not exceed your tax liability. If you claim this credit, you are not allowed to deduct the contribution elsewhere on your return. You may not carryover your credit and it must be claimed in the year the donation is made.

Line 110 - Empowerment Zone Credit. If you are an employer who has a business in an empowerment zone as described in 15-30-182, MCA, you may claim a credit for each new employee at this business. The Montana Department of Labor and Industry must certify your business prior to qualifying for this credit.

The credit may be carried back three years and carried forward seven years. The entire amount of the tax credit not used in the year earned must be carried first to the earliest tax year in which the credit may be applied and then to each succeeding tax year.

Line 111 - Other Credits. If you are claiming any of the following credits, enter the aggregate amount of the credit(s) on the Other Credits line on Form 2A, Schedule II.

- **Alternative Fuel Credit.** You may claim a credit for conversion of a motor vehicle to an alternative fuel. See Form AFRC for detailed instructions. Complete Form AFRC and attach it to your tax return.
- **Montana Capital Company Credit.** Carryovers only.
- **Infrastructure Users Fee Credit.** If you are a new business located in Montana you may qualify for a credit for creating at least 15 jobs in the basic sector of the economy of a local community. Your credit is calculated based on the infrastructure fees paid by your new business to the local government.
- **Increasing Research Activities Credit.** You may claim a credit for the increase in qualified research expenses and basic research payments conducted in Montana. The credit is determined in accordance with Section 41 of the IRC, 26, U.S.C. 41, except the applicable percentage rate for the Montana credit is 5%. See Form RSCH for detailed instructions. Complete Form RSCH and attach it to your return.
- **Mineral Exploration Incentive Credit.** You are entitled to a credit for certified expenditures of mining exploration activities (15-32-501, MCA), not to exceed 50% of your tax liability. Certified expenditures represent costs incurred for activities in direct support of exploration activity conducted at a specific

exploration site. The credit applies to activities associated with both new mines and mines that are being reopened. A completed copy of Montana Form MINE-CRED must be attached to the return. To obtain the credit, you must first submit a request that details the work done and the expenses incurred. This request must be made within 60 days following the end of the calendar year, on forms provided by the department and the department must certify the expenses by September 30 in order to claim the credit.

- **Affordable Housing Revolving Loan Account Credit.** You are entitled to a tax credit for contributions made during the year to the affordable housing revolving loan account established in 90-6-133, MCA. Your credit is equal to 20% of the amount donated to this account with a maximum credit of \$10,000. The credit cannot exceed your income tax liability and no carryover provision is allowed. You are not entitled to this credit if you have claimed the full amount of the contribution as an itemized deduction or if you have applied the contribution to the Qualified Endowment Credit.

How Do I Determine My Legal Residence for Montana Tax Purposes? If you claim Montana residency for any purpose, then you are considered a Montana resident for income tax purposes unless there is a specific statutory exception. If you have two or more residences, you cannot choose to make your home in one place for the general purposes of life and in another for tax purposes. Your legal residence is usually the place where you maintain your most important family, social, economic, political and religious ties. It is a place where you remain when not called elsewhere for work or other temporary purposes. A change of legal residence will not be accomplished by a temporary or prolonged absence from a place; you must have the intention not to return.

Nonresident - You are a nonresident of Montana if you did not consider Montana to be your home at any time during the tax year, although you may have been temporarily living here. A member of the United States armed forces and their spouse living in Montana solely by reason of compliance with military orders does not become a Montana resident solely by reason of being present in Montana.

Part-Year Resident - You are a part-year resident if you moved into or out of Montana during the tax year with the intention of establishing a new residence.

Form 2 Instructions for Part-Year Residents, Nonresidents

Filing Requirement. The filing requirement for a part-year resident and nonresident are the same as for a resident. Refer to the chart on page 1 for filing requirements.

If you are a part-year resident or a nonresident you must use Montana Form 2 and attach the following items to your Montana return:

- Copy of your federal income tax return, all forms and schedules.
- Copies of W-2's from all states.
- Completed Montana Form 2A, Schedules III and IV.
- Copies of tax returns filed in other states.

Lines 1 through 42.

Income, Deductions and Exemptions. As a nonresident, you are subject to Montana income tax on all your Montana source income included in your federal gross income which is derived from or connected with Montana. Intangible income related to a Montana business or from the sale of real property is taxable.

As a part-year resident, you are subject to Montana tax on all your Montana source income included in your federal gross income which is received while residing in Montana and on all income which is derived from or connected with Montana.

Complete lines 1 through 42 of Montana Form 2 using the instructions on pages 2-6 of this booklet. Report your Montana and non-Montana income as shown on your federal income tax return. Line 20 of Form 2 must agree with your federal adjusted gross income reported on your federal income tax return. You are allowed to claim either the standard deduction or itemized deductions and at least one personal exemption. Once you have completed Form 2 through line 42, you must complete Form 2A page 2, Schedules III and IV to prorate your Montana tax liability.

The computation of your tax liability is based on a pro ration of the tax liability computed on the total income shown on line 42, Form 2. The percentage of the total tax you are required to pay is based on the ratio of your Montana source income to your total income for the year. For example, if 50% of your total income is Montana source income, your tax liability will be 50% of the tax computed on the total taxable income from line 42, Form 2.

You are not paying tax on income attributable to sources outside of Montana; however, the total income must be reported to compute your correct Montana tax liability.

Line 43. Complete Form 2A, page 2, Schedules III and IV to calculate your tax liability.

Lines 44 through 69 - See full-year resident instructions on pages 6 and 7.

Nonresident/Part-Year Resident Identification of Montana Source Income - Form 2A, Schedule III

Lines 113 through 124 - If you have income from Montana and from non-Montana sources shown on the same schedule, attach a statement to the Montana return identifying the Montana income. The following line by line instructions are for nonresidents and part-year residents with income reportable to Montana.

If you are a member of the United States armed forces living in Montana solely by reason of compliance with military orders, the Soldiers and Sailors Relief Act allows you and your spouse to maintain your original state of residency and does not require you to establish residency in Montana. The compensation you receive in Montana as a nonresident service member is not Montana source income and is not reported in determining your Montana tax liability on Schedule III and IV. However, you and your spouse are subject to a Montana tax liability on any other Montana source income earned while in Montana.

- **Wages, Salaries and Tips (line 113).** Enter the amount of your wages, salaries and/or tips that were derived from Montana sources or after you established Montana residency. These amounts should be shown on your W-2(s). Attach the W-2(s) to the front of Form 2.
- **Interest Income (line 114).** Include amounts from lines 7 and 21 of Form 2 for interest income received while you were a Montana resident. If you are a nonresident, you must report interest income from installment sale(s) of real property or tangible commercial or business property located in Montana. Nonresident income from interest on bank deposits, notes, dividends on capital stock of corporations, royalties from patents and copyrights and all other income from intangible property is not taxable to Montana.
- **Dividend Income (line 115).** Enter the amount of dividend income you received while you were a Montana resident. For example, if you were a resident for one half of the year, and you receive a 1099 from an account, 50% of the reported dividend income would be taxable to Montana and reportable here.
- **Business Income (line 116).** If you are a nonresident, the net income received from any trade, business, profession, or occupation carried on in Montana is subject to Montana tax. For a part-year resident, your net income from any trade, business, profession, or occupation while a resident must be reported. If you have more than one business, complete a separate federal Schedule C to show the Montana business activities.
- **Capital Gain or Loss (line 117).** Enter the amount of gain or loss related to the sale(s) of your Montana properties or assets. Remember, the gain from installment sales of Montana property is taxable to Montana. Gains and losses from sources outside Montana must be reported on this line if they occurred while you were a Montana resident.
- **Supplemental Gain or Loss (line 118).** Enter here any supplemental gain or loss attributed to your Montana property(s). If you are filing as a part-year resident, report any supplemental gain received while you were a resident or any gain related to Montana property(s).
- **Rents, Royalties, Partnerships, Etc. (line 119).** In the following paragraphs, income refers to profit or loss. Rental income is the net amount derived from or connected with the rental of real or tangible Montana property. Partnership income is the share of any partnership income and deductions derived from Montana. Income is one of two types—passive or nonpassive. The type of income depends upon whether or not you materially participated

in the activities of the partnership. If the income is passive, you are required to fill out a separate federal Form 8582 for Montana purposes. Your share of the partnership income includes income, capital gain and deductions from the partnership whether you actually received it or not. Attach K-1(s). S. corporation income is a shareholder's percentage of the corporation's net income and deductions derived from Montana. Attach K-1(s). Estate and trust income is the beneficiary's share of the income and deductions from a trust with nexus in Montana. Attach K-1(s).

A partnership or S. corporation may be eligible to file a Montana composite tax return on behalf of its nonresident partners and shareholders. Refer to the Montana S. corporation or partnership booklet for detailed instructions.

- **Taxable Pensions, Etc. (line 120).** If you are a part-year resident, enter the amount of pension income attributed to the time you resided in Montana. Remember, you must complete the retirement pension worksheet. See line 29.
- **Taxable Portion of Social Security (line 121).** If you are a part-year resident, a portion of your social security benefits may be attributable to Montana. To calculate the portion of social security benefits includable on Schedule III, divide amount(s) reported on line 15b by 12, then multiply by the number of months you resided in Montana. Remember you must complete and attach the Social Security Worksheet. See the Social Security Worksheet on page 15.
- **Farm Income or Loss (line 122).** Report your farm income or loss attributed to Montana. Attach a separate Schedule F if necessary, showing only the Montana farm activities.
- **Other Income or Loss (line 123).** Enter any other income attributable to Montana that is not identified on lines 113 through 122. This includes lottery winnings, state and federal refunds, nonemployee compensation, etc. If you received a federal income tax refund in 2004 and are required to report this refund as income on Form 2 line 22, a prorated amount of your federal refund may be reported as Montana source income. The ratio is your Montana source income to total income from all sources, as reported on your 2003 Montana income tax return.
- **Total Montana Income. (line 124).** Add lines 113 through 123.

Tax Computation - Schedule IV, Lines 125-130

Line 125. Enter the amount from line 124, Schedule III.

NEW Line 126 - Total Income. Enter the total of lines 18 and 24, Form 2. If you are a member of the United States armed forces living in Montana solely by reason of compliance with military orders do not use your compensation received for military service in calculating the ratio of your Montana source income to total income. Subtract from your total income compensation received for military service which was exempt and reported on line 35 of Montana Form 2.

Line 127. Divide the amount on line 125 by the amount on line 126. If your Montana total income is smaller than your federal total income, you will arrive at a percent amount. Carry the decimal to 4 places. If your percent is larger than 100% (1.0000), use only 100%.

Line 128. Enter your taxable income amount from Form 2, line 42.

Line 129. Compute the tax on the amount shown on line 128, using the tax table on page 2, Form 2. Enter the tax on line 129.

Line 130. Nonresident/Part-Year Resident Tax. Multiply the amount on line 129 by the percent on line 127. Enter the amount from line 130 on line 43, Form 2. This is your Montana tax liability. Go to Form 2 and complete lines 44-69.

Line-by-Line Instructions for Form 2S

Must be a full-year resident filing from a Montana address.

Name, Address and Social Security Number. Enter your complete name, address and social security number, and if married enter your spouse's information. Or you may use the removable label provided by the department if the information is correct. If you're married, fill in name and social security number for both you and your spouse. Montana law requires that each individual who files a tax return include a social security number.

Tax Preparer Contact. To streamline questions related to your return, we have included an area for you to authorize the

If you expect to owe at least \$500 additional tax after applying your withholding and tax credits, you may need to make estimated tax payments for 2005. Contact the department at (406) 444-6900 to obtain estimated tax payment information and coupons.

2004 Individual Income Tax Worksheets

Worksheet I - IRA Deduction

If you file jointly on your federal tax return and separately (filing status 3, 4 or 5) on your Montana return, your deductible IRA for Montana purposes may be less than the amount allowed on your federal return.

If during the tax year, neither spouse was covered by a retirement plan where they worked, Montana and federal IRA deductions will be the same (maximum \$3,000 per spouse, or \$3,500 if 50 years old or older). If part of your IRA deduction is attributable to the IRA of a nonworking spouse, that amount must be added back on line 23 in the column of the nonworking spouse.

If during the tax year, one or both spouses were covered by a retirement plan where they worked, complete both columns of the worksheet below to determine if there is a difference between allowable federal and Montana IRA deductions.

**IRA Worksheet**

	Column A	Column B
1. Phase out amount	1. \$10,000	\$10,000
2. Enter your federal adjusted gross income before federal IRA contributions	2. _____	_____
3. Subtract line 2 from line 1	3. _____	_____
4. Maximum allowable IRA deduction. Multiply line 3 by 30% (.30) or by 35% (.35) in the column for the IRA of the individual who is age 50 or older at the end of tax year. If the result is \$200 or more, enter the result. If it is less than \$200 enter \$200	4. _____	_____
5. Enter IRA amount from line 19, Form 2	5. _____	_____
6. Enter lesser of line 4 or line 5	6. _____	_____
7. Subtract line 6 from line 5 and enter this amount on line 23, Form 2	7. _____	_____
This is the nondeductible portion of your IRA for Montana purposes.		

If you are married, filing separate returns and lived apart from your spouse the entire year, you will be treated as single individuals.

Worksheet II - Tax Benefit Rule (Taxable Refunds and Reimbursements)

	Column A	Column B
1. Total of all federal income tax refunds received. Do not include refundable federal credits or more than the amount deducted for the prior year.	1. _____	_____
2. All refunds and reimbursements of previously deducted itemized deductions. Example: In 2003 you deducted medical expenses not covered by insurance. In 2004 your insurance company determines that a portion of the denied expenses should have been paid by them. They send you a check. This amount may be taxable because you claimed it as an expense paid by you in the prior tax year.	2. _____	_____
3. Add lines 1 and 2 above.	3. _____	_____
4. Montana itemized deductions for prior year. If you took the standard deduction, stop here. None of the refund is taxable.	4. _____	_____
5. Enter prior year's Montana adjusted gross income.	5. _____	_____
6. If you are filing single or married filing separately, multiply line 5 by 20% (.20). If this amount is less than \$1,480, enter \$1,480. If more than \$3,330, enter \$3,330. If you are filing a joint return or filing as head of household, multiply line 5 by 20% (.20). If this amount is less than \$2,960, enter \$2,960. If more than \$6,660, enter \$6,660.	6. _____	_____
7. Subtract line 6 from line 4. If the result is zero, stop here. The amount on line 3 is not taxable.	7. _____	_____
8. Enter the smaller of line 3 or line 7.	8. _____	_____
9. Montana taxable income from prior year.	9. _____	_____
10. Enter the following amount on Form 2, line 22. If line 9 is zero or more, enter the amount from line 8. If less than zero, add lines 8 and 9 and enter the net amount (but not less than zero).	10. _____	_____

Worksheet III - Qualifying Capital Gain Exclusion

Capital Gain Exclusion Worksheet - If you had an installment sale(s) of a capital asset(s) which you entered into before January 1, 1987 you may be able to take a capital gain exclusion of 40%. Compute your exclusion on the worksheet below.

If federal Schedule D line 21 is negative, you are not allowed a capital gain exclusion.
Do not proceed any further.

	Column A	Column B
1. Add the amounts from federal Schedule D lines 11 and 12 which pertain to installment sales entered into before January 1, 1987, and enter here.	1. _____	_____
2. Add the amounts from federal Schedule D lines 7 and 15 and enter here.	2. _____	_____
3. Divide line 1 by line 2.	3. _____ %	_____ %
4. Enter the amount from line 16 of federal Schedule D, but not less than zero.	4. _____	_____
5. Multiply the amount on line 4, times the % on line 3: _____ x _____ %	5. _____	_____
6. Multiply amount on line 5 times 40% (.40). This is your Montana capital gains exclusion. Enter on line 35 of Montana Form 2.	6. X .40	X .40

When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.



2004 Individual Income Tax Worksheets

Worksheet IV - Pension and Annuity Exclusion

Column A

Column B

Short form filers use column A only.

1. Enter your federal adjusted gross income from line 20 of Form 2 or line 13 of Form 2S..... 1. _____
2. Phase-out limitation..... 2. 30,000 30,000
3. If line 1 is smaller than line 2, enter on Form 2 line 29 the smaller of a) pension and annuity income or b) \$3,600 for each person who has pension and annuity income. Stop here, you do not need to complete the remainder of this worksheet..... 3. _____
If line 1 is larger than line 2, subtract line 2 from line 1 and enter the result.
4. Fill out only one.
If your filing status is:
 - a. Single or joint and only one has pension and annuity income; enter your..... 4a. _____
taxable pension and annuity income or \$3,600, whichever is smaller.
 - b. Married filing separately; enter 1) each spouse's taxable pension and annuity..... 4b. _____
income, or 2) \$3,600 in columns A and B whichever is smaller.
 - c. Joint and both spouses have pension and annuity incomes: first, enter each spouse's
taxable pension and annuity income or \$3,600, whichever is smaller, on the following
lines: his _____ hers _____; second, enter the total of the two lines..... 4c. _____
5. Double the amount on line 3 and enter the result..... 5. _____
6. Pension and annuity exclusion. Subtract line 5 from line 4a, 4b or 4c, whichever applies
to you. If the result is zero or negative, you are not eligible for an exclusion. If the number
is positive, this is your exclusion. Transfer this number to line 29 on Form 2..... 6. _____

Worksheet V - Standard Deduction

Column A

Column B

Short form filers use column A only.

1. Enter amount from line 38 of Form 2 or line 21 of Form 2S..... 1. _____
2. Enter 20% (.20) of line 1..... 2. _____
3. Enter the amount from below that corresponds to your filing status:

Single or separate (filing
status 1, 3, 4 or 5) = \$3,440

Joint or head of household
(filing status 2 or 6) = \$6,880..... 3. _____
4. Enter the amount from line 2 or line 3, whichever is smaller..... 4. _____
5. Enter the amount from below that corresponds to your filing status:

Single or separate (filing status 1, 3, 4 or 5) = \$1,530

Joint or head of household (filing status 2 or 6) = \$3,060..... 5. _____
6. Enter the amount from line 4 or line 5, whichever is larger. This is your standard
deduction. Transfer this amount to line 39, Form 2 (line 22a, Form 2S)..... 6. _____

Tax Table

If Taxable Income is Over	But not Over	Multiply by	and Subtract = Tax	If Taxable Income is Over	But not Over	Multiply by	and Subtract = Tax
\$ 0	\$ 2,300	X 2%	\$ 0	\$18,400	\$22,900	X 7%	\$ 483
\$ 2,300	\$ 4,600	X 3%	\$ 23	\$22,900	\$32,100	X 8%	\$ 712
\$ 4,600	\$ 9,200	X 4%	\$ 69	\$32,100	\$45,900	X 9%	\$1,033
\$ 9,200	\$13,800	X 5%	\$161	\$45,900	\$80,300	X 10%	\$1,492
\$13,800	\$18,400	X 6%	\$299	\$80,300		X 11%	\$2,295

Example = taxable income \$2,400 x 3% (.03) = \$72 subtract \$23 = \$49 tax

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2004 Individual Income Tax Worksheets

Worksheet VI - Itemized Deduction Worksheet

Column A

Column B

1. Enter the amount from Form 2A, line 94a (Total itemized deductions)..... 1. _____
2. Add the amounts on Form 2A, lines 70, 73, 74, 79, 83, 85, 86, and 93..... 2. _____
3. Subtract line 2 from line 1. If the result is zero, enter the amount from line 1 above on Form 2, line 39. Stop Here. You do not need to complete this worksheet..... 3. _____
4. Multiply amount on line 3 above by 80% (.80)..... 4. _____
5. Enter the amount from Form 2, line 38..... 5. _____
6. Enter \$142,700 (\$71,350 if married filing separately, even if filing on the same form)..... 6. _____
7. Subtract line 6 from line 5. (If the result is zero or less, enter the amount from line 1 above on Form 2, line 39. Stop Here. You do not need to complete this worksheet..... 7. _____
8. Multiply line 7 by 3% (.03)..... 8. _____
9. Compare the amounts on lines 4 and 8 above. Enter the smaller of the two amounts here and on Form 2A, line 94b..... 9. _____

Worksheet VII - Calculation of Underpayment Interest Penalty for Failure to Make Estimated Payments

Underpayment Interest of Estimated Tax

In 2004 you must have paid through estimated installments or a combination of withholding and estimated installments the smaller of 1) 90% of your current year's tax liability after credits, or 2) an amount equal to 100% of your previous year's total tax liability. Payments made with extensions are not considered estimated payments. If you do not meet this requirement, you may be subject to underpayment interest.

You may use the short method to figure your interest only if

- you made no estimated tax payments (or your only payments were Montana withholding), or
- you paid estimated tax in four equal amounts by the due dates.

If you cannot use the short method call the department at (406) 444-6900 to request an underpayment interest form (EST-I).

A taxpayer who derives at least 2/3 of gross income from farming or ranching is not subject to estimated tax. Montana law does not provide for a "lookback" to the previous year when determining if a taxpayer is a qualifying farmer or rancher.

Short Method

1. Enter your 2004 tax from line 54 on Form 2 or line 31 on Form 2S (total liability if married filing separately on the same form). _____
2. Enter 90% of line 1 above. _____
3. Enter your total withholding from line 55, amount credited from prior year's tax included in line 56, and the elderly homeowner/renter credit from line 58 on Form 2 or line 34 on Form 2S. (If married filing separately, enter the total payments). _____

4. Subtract line 3 from line 1. If the result is \$500 or less, do not complete the rest of the form. You do not owe the underpayment interest. _____
5. Enter your 2003 tax (line 55 of 2003 Form 2 or line 31 on 2003 Form 2S). If married filing separately, enter the total tax. _____
6. Enter the smaller of line 2 or line 5. _____
7. Enter the amount from line 3 plus any estimated payments included in line 56 of the 2004 Form 2. _____
8. Total underpayment for the year. Subtract line 7 from line 6. If zero or less, stop here. You do not owe the underpayment interest. _____
9. Multiply line 8 by .07980 and enter the result. _____
10. If the amount on line 8 was paid on or after April 15, 2005 enter zero. If the amount on line 8 was paid before April 15, multiply amount on line 8 x number of days paid before April 15 x .0003288. _____
11. Underpayment interest. Subtract line 10 from line 9. Enter the results here and on line 65 of Form 2 or line 37 of Form 2S. **Total Due:** _____

When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.

15 2004 Individual Income Tax Worksheet

MONTANA
Form W
Rev. 8-04

Worksheet VIII - Taxable Social Security

The portion of your social security benefits taxable to Montana may be different than what is taxable to federal. Complete Worksheet VIII, Form W to determine your Montana taxable social security.

None of your social security benefits are taxable to Montana if the only benefits you receive are from the Railroad Retirement Board. If you only received an RRB-1099 and have federal taxable social security reported on line 15b, exclude 100% of this amount of line 35, Form 2.

Filing Status Check one	1. Single <input type="checkbox"/>	2. Married filing joint return <input type="checkbox"/>	3. Married and both filing separate returns on this form <input type="checkbox"/>	4. Married and both filing separate returns on separate forms <input type="checkbox"/>	5. Married filing separate return and spouse is not filing <input type="checkbox"/>	6. Head of Household <input type="checkbox"/>
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	Column A For single, joint separate or head of household		Column B For spouse only when filing separate and box 3 is checked
1. Enter the total amount from box 5 of all your SSA-1099 forms. Do not include amounts from Form RRB-1099 1.	1.		1.
2. Enter one-half of line 1	2.		2.
3. Enter the total of the amounts from Form 2 lines 6 through 12, 13b, 14b, 16, and 17	3.		3.
4. Enter the amount, if any, from Form 2 lines 21, 22, and 23 along with tax exempt interest reported on federal Form 1040, line 8b not included of Form 2 line 21	4.		4.
5. Add lines 2, 3, and 4	5.		5.
6. Enter the total of the amounts from Form 2 lines 19 (excluding student loan interest and tuition and fees), 26, 27, 29, 30, 31, 32, 33, 34, and 35.....	6.		6.
Is the amount on line 6 less than the amount on line 5? 7. <input type="checkbox"/> No None of your social security benefits are taxable. Enter zero on line 18 and go to line 19 <input type="checkbox"/> Yes Subtract line 6 from line 5	7.		7.
8. Enter: \$32,000 in Column A if you checked Box 2. \$25,000 in Column A if you checked Box 1 or Box 6. \$16,000 in Column A and B if you checked Box 3, 4, or 5..... }	8.		8.
9. Is the amount on line 8 less than the amount on line 7? <input type="checkbox"/> No None of your social security benefits are taxable. Enter zero on line 18 and go to line 19. <input type="checkbox"/> Yes Subtract line 8 from line 7	9.		9.
10. Enter: \$12,000 in Column A if you checked Box 2. \$ 9,000 in Column A if you checked Box 1 or Box 6 \$ 6,000 in Column A and B if you checked Box 3, 4, or 5..... }	10.		10.
11. Subtract line 10 from line 9, if zero or less, enter zero	11.		11.
12. Enter the smaller of line 9 or line 10	12.		12.
13. Enter one-half of line 12	13.		13.
14. Enter the smaller of line 2 or line 13	14.		14.
15. Multiply line 11 by 85% (.85). If line 11 is zero, enter zero	15.		15.
16. Add lines 14 and 15	16.		16.
17. Multiply line 1 by 85% (.85)	17.		17.
18. Taxable social security benefits. Enter the smaller of line 16 or line 17	18.		18.
19. Enter the amount of social security taxable on your federal return	19.		19.
20. a. If line 19 is greater than line 18, enter the difference here and on line 35 of Form 2..... 20a.	20a.		20a.
b. If line 19 is less than line 18, enter the difference here and on line 23 of Form 2 20b. If line 19 equals line 18, no adjustment is necessary.	20b.		20b.

When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.

2004 Montana Individual Income Tax Return Form 2

or Fiscal year beginning _____, 2004 and ending _____, 2005.

04

Last Name		First Name and Middle Initial		<input type="checkbox"/> Deceased <input type="checkbox"/>	Social Security No.	
Spouse's Last Name if Different		Spouse's First Name and Middle Initial			Spouse's Social Security No.	
Mailing Address				City		State Zip Code+4

Filing Status Check One	1. <input type="checkbox"/> Single	2. <input type="checkbox"/> Married filing joint return	3. <input type="checkbox"/> Married and both filing separate returns on this form	4. <input type="checkbox"/> Married and both filing separate returns on separate forms	5. <input type="checkbox"/> Married filing separate return and spouse is not filing	6. <input type="checkbox"/> Head of Household (see instructions)
----------------------------	------------------------------------	---	---	--	---	--

Residency Check One	1. <input type="checkbox"/> Resident Full Year	2. <input type="checkbox"/> Nonresident Full Year	3. <input type="checkbox"/> Resident Part Year	Give date of change month year	State moved to:	State moved from:
------------------------	--	---	--	--	-----------------	-------------------

Exemptions

Regular <input checked="" type="checkbox"/>	65 or Over <input type="checkbox"/>	Blind <input type="checkbox"/>
---	-------------------------------------	--------------------------------

1. Yourself Enter number checked

2. Spouse Enter number checked

3. Dependents

Dependent's Full Name	Dependent's Social Security Number	Relationship

Do not claim yourself or spouse

1. ☐

2. ☐

3. ☐

4. ☐

5. ☐

5. Add lines 1, 2, 3 and 4 (if additional dependents, see instructions)..... **Total Exemptions**

ATTACH WITHHOLDING STATEMENTS HERE BELOW LINE 6

FEDERAL ADJUSTED GROSS INCOME

Enter amounts reported on federal return

6. Wages, salaries, tips, etc. Attach copies of W-2(s) from all states
7. Taxable interest income Attach Federal Schedule if over \$1,500
8. Ordinary dividend income Attach Federal Schedule if over \$1,500
9. Business income (loss) Attach Federal Schedule C or C-EZ
10. Capital gain (loss) Attach Federal Schedule D
11. Other gains (losses) Attach Federal Form 4797
12. Rental real estate, royalties, partnerships, s. corporations, estates, trusts, etc.
Attach Federal Schedule E, Form 8582 and all K-1's
13. IRA distributions a.
14. Pensions and annuities a.
15. Social security benefits a.
16. Net farm income or (Loss) Attach Federal Schedule F
17. Other income: State refund _____ alimony _____
unemployment _____ other (specify) _____
18. Total of lines 6 thru 17 **Total** ➡
19. Adjustments to income. Educator Expense _____ Reservists, etc. _____ IRA _____
Student loan interest _____ Tuition and fees _____ 1/2 SE Tax _____
HSA _____ Moving Expenses _____ SE Health _____ SE, SEP, SIMPLE _____
Early withdrawal penalty _____ Alimony paid _____ Other _____
20. Federal adjusted gross income (subtract line 19 from line 18) ➡

Note: Line 20 must match your federal adjusted gross income

Round to nearest dollar
if no entry leave blank

6.		6.
7.		7.
8.		8.
9.		9.
10.		10.
11.		11.
12.		12.
13b.		13b.
14b.		14b.
15b.		15b.
16.		16.
17.		17.
18.		18.
19.		19.
20.		20.

ADDITIONS

21. Interest and dividends on state, county, or municipal bonds (Non-Montana)
22. Federal income tax refunds/overpayment (see page 3, line 22 on instructions)
23. Other additions, (see page 3, line 23 of instructions)
Specify _____
24. Total additions to income (add lines 21 thru 23) **Total** ➡
25. Add lines 20 and 24, enter result ➡

21.		21.
22.		22.
23.		23.
24.		24.
25.		25.

REDUCTIONS

26. Farm Risk Management Account Attach Form FRM
27. Interest exclusion for elderly
28. Interest exclusion for savings bonds, etc. Specify _____
29. Exempt pension & annuity income, (not soc. sec./disability) Attach Worksheet IV, Page 13
30. Unemployment
31. Medical Care Savings Account Attach Form MSA
32. Family Education Savings Account (Attach name and social security number(s) of beneficiary)
33. First Time Home Buyers Account Attach Form FTB
34. Health care professional loan payment exclusion
35. Other reductions (see page 5, line 35 of instructions).
Specify _____
36. Total reductions to income (add lines 26 thru 35)..... **Total** ➡
37. Subtract line 36 from line 25. Enter here and on line 38, page 2.....

26.		26.
27.		27.
28.		28.
29.		29.
30.		30.
31.		31.
32.		32.
33.		33.
34.		34.
35.		35.
36.		36.
37.		37.

Column A (for single
joint, separate, or head
of household)Column B (for spouse
only when filing
separate, and box 3 is
checked)

DEDUCTIONS

EXEMPTIONS

38. Montana adjusted gross income (From line 37)

38. 38.

Deductions Check only one39. (A) Standard deduction: ☐ (A) }
(B) Itemized deductions: ☐ (B) }

39. 39.

40. Subtract line 39 from 38 and enter balance..... ⇒ 40.

40. 40.

Exemptions (All filers are entitled to at least one exemption)

41. Multiply \$1,840 times the number of exemptions on line 5

41. 41.

42. Taxable income. Subtract line 41 from line 40 ⇒ 42.

42. 42.

STOP Nonresidents and Part-Year Residents complete and attach Schedules III and IV Form 2A, before proceeding

TAX COMPUTATION

43. Tax from table below. Non/part-year residents enter the amount from line 130, Form 2A Schedule IV. If line 42 is less than zero, enter zero here.....

43. 43.

44. Tax on lump sum distributions (see instructions for this line). Attach Federal Form 4972

44. 44.

45. Subtotal - Add lines 43 and 44.....Subtotal ⇒ 45.

45. 45.

46. Credits from Form 2A, line 112, Schedule II.....

46. 46.

47. Balance - Subtract line 46 from 45 and enter difference (but not less than zero)..... ⇒ 47.

47. 47.

48. Other tax, penalties and repayment, see page 6 (specify).....

48. 48.

For each of the programs below enter any amount you and your spouse want to contribute.

Enter totals in boxes on line 52 (see instructions for details).

Nongame Wildlife
Program

49.

Child Abuse
Prevention

50.

Agriculture in
Schools

51.

Enter total amount
in boxes.....

52. 52.

53. Total Tax —Add lines 47, 48, and 52.....Total ⇒ 53.

53. 53.

54. Combine amounts shown on line 53 columns A and B..... ⇒ 54.

54. 54.

PAYMENTS
AND CREDITS

55. Montana tax withheld.....Attach withholding statements

55. 55.

56. Payments of 2004 estimated tax and amounts credited from previous year

56. 56.

57. Payment made with extension

57. 57.

58. Elderly Homeowner/ Renter Credit Attach Form 2EC

58. 58.

59. Total of lines 55 thru 58.....Total

59. 59.

60. Combine amounts shown on line 59 columns A and B ⇒ 60.

60. 60.

REFUND
OR AMOUNT
YOU OWE

61. If line 60 is larger than line 54 enter the difference. This is your overpayment.....

61. 61.

62. Amount on line 61 to be applied to 2005 estimate 62.

63. Enter the amount from line 61 you want refunded to you (refunds more than \$1.00 will be issued)

Refund..... 63.

Refund Returns: Mail to Dept. of Revenue, PO Box 6577, Helena, MT 59604-6577

If you wish to use direct deposit enter your RTN# and ACCT# below. See instructions on page 6.

Direct Deposit

RTN# ACCT#

Checking ☐Savings ☐

64. If line 54 is larger than line 60 enter tax due (If you owe see instructions for this line)

64. 64.

Send your check or money order with payment coupon to: Dept. of Revenue, PO Box 6308, Helena, MT 59604-6308.

If you choose to pay your tax due by credit card visit our website at www.discoveringmontana.com/revenue and enter your confirmation number here. See instructions on page 6.

- Check this box if at least 2/3 of your gross income is from farming. (attach breakdown of computations) ☐

- Check here if estimated payments were made using the annualization method. (Attach Montana Form EST-I) ☐

- Check here if you do not need state income tax forms and instructions mailed to you next year. Tax forms are also available on the internet. ☐

Underpayment interest

See Worksheet VII, Schedule W... 65.

Late filing penalty-See page 2..... 66.

Late payment penalty-See page 2. 67.

Interest 1% (.01) per month..... 68.

Total of lines 64 through 68 69.



Extension - Check this box and attach copies of federal extension(s) to receive a valid Montana extension. See Page 2 of instructions for details.

PLEASE
SIGN HERE

Name, address and telephone number of preparer

May the DOR discuss this return with the preparer shown above? yes ☐ no ☐

Questions? Please call (406) 444-6900 or TDD (406) 444-2830 for hearing impaired. ☎

X

X

Your signature is required

Date

Daytime telephone number

Spouse signature

Date

I declare under penalty of false swearing that the information in this return and attachments is true, correct and complete.

Tax Table

If Taxable Income is:

Over	But not over	Multiply by	and Subtract = Tax
\$ 0	\$ 2,300	X ... 2 %	\$ 0
\$ 2,300	\$ 4,600	X ... 3 %	\$ 23
\$ 4,600	\$ 9,200	X ... 4 %	\$ 69
\$ 9,200	\$ 13,800	X ... 5 %	\$ 161
\$ 13,800	\$ 18,400	X ... 6 %	\$ 299

If Taxable Income is:

Over	But not over	Multiply by	and Subtract = Tax
\$ 18,400	\$ 22,900	X ... 7 %	\$ 483
\$ 22,900	\$ 32,100	X ... 8 %	\$ 712
\$ 32,100	\$ 45,900	X ... 9 %	\$ 1,033
\$ 45,900	\$ 80,300	X ... 10 %	\$ 1,492
\$ 80,300		X ... 11 %	\$ 2,295

Example = taxable income \$2,400 x 3% (.03) = \$72 subtract \$23 = \$49 tax

When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.

2004 Montana Individual Income Tax Return Form 2

or Fiscal year beginning _____, 2004 and ending _____, 2005.

04

Last Name		First Name and Middle Initial		<input type="checkbox"/> Deceased <input type="checkbox"/>	Social Security No.
Spouse's Last Name if Different		Spouse's First Name and Middle Initial			Spouse's Social Security No.
Mailing Address				City	State Zip Code+4

Filing Status Check One	<input type="checkbox"/> 1. Single	<input type="checkbox"/> 2. Married filing joint return	<input type="checkbox"/> 3. Married and both filing separate returns on this form	<input type="checkbox"/> 4. Married and both filing separate returns on separate forms	<input type="checkbox"/> 5. Married filing separate return and spouse is not filing	<input type="checkbox"/> 6. Head of Household (see instructions)
----------------------------	------------------------------------	---	---	--	---	--

Residency Check One	<input type="checkbox"/> 1. Resident Full Year	<input type="checkbox"/> 2. Nonresident Full Year	<input type="checkbox"/> 3. Resident Part Year	Give date of change month year	State moved to:	State moved from:
------------------------	--	---	--	--	-----------------	-------------------

Exemptions			Column A (for single joint, separate, or head of household)	Column B (for spouse only when filing separate, and box 3 is checked)															
1. Yourself	Regular <input checked="" type="checkbox"/>	65 or Over <input type="checkbox"/>	Blind <input type="checkbox"/>	Enter number checked															
2. Spouse	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Enter number checked															
3. Dependents	<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th>Dependent's Full Name</th> <th>Dependent's Social Security Number</th> <th>Relationship</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> </tbody> </table>			Dependent's Full Name	Dependent's Social Security Number	Relationship													Do not claim yourself or spouse
Dependent's Full Name	Dependent's Social Security Number	Relationship																	
5. Add lines 1, 2, 3 and 4 (if additional dependents, see instructions)	Total Exemptions																		

ATTACH WITHHOLDING STATEMENTS HERE BELOW LINE 6

FEDERAL ADJUSTED GROSS INCOME

Enter amounts reported on federal return

6. Wages, salaries, tips, etc. Attach copies of W-2(s) from all states
7. Taxable interest income Attach Federal Schedule if over \$1,500
8. Ordinary dividend income Attach Federal Schedule if over \$1,500
9. Business income (loss) Attach Federal Schedule C or C-EZ
10. Capital gain (loss) Attach Federal Schedule D
11. Other gains (losses) Attach Federal Form 4797
12. Rental real estate, royalties, partnerships, s. corporations, estates, trusts, etc.
Attach Federal Schedule E, Form 8582 and all K-1's
13. IRA distributions a.

 Attach all
14. Pensions and annuities a.

 1099R's
15. Social security benefits a.
16. Net farm income or (Loss) Attach Federal Schedule F
17. Other income: State refund _____ alimony _____
unemployment _____ other (specify) _____
18. Total of lines 6 thru 17 **Total** ➡
19. Adjustments to income. Educator Expense _____ Reservists, etc. _____ IRA _____
Student loan interest _____ Tuition and fees _____ 1/2 SE Tax _____
HSA _____ Moving Expenses _____ SE Health _____ SE, SEP, SIMPLE _____
Early withdrawal penalty _____ Alimony paid _____ Other _____
20. Federal adjusted gross income (subtract line 19 from line 18) ➡

Note: Line 20 must match your federal adjusted gross income

Round to nearest dollar
if no entry leave blank

6.		6.
7.		7.
8.		8.
9.		9.
10.		10.
11.		11.
12.		12.
13b.		13b.
14b.		14b.
15b.		15b.
16.		16.
17.		17.
18.		18.
19.		19.
20.		20.

ADDITIONS

21. Interest and dividends on state, county, or municipal bonds (Non-Montana)
22. Federal income tax refunds/overpayment (see page 3, line 22 on instructions)
23. Other additions, (see page 3, line 23 of instructions)
Specify _____
24. Total additions to income (add lines 21 thru 23) **Total** ➡
25. Add lines 20 and 24, enter result ➡

21.		21.
22.		22.
23.		23.
24.		24.
25.		25.

REDUCTIONS

26. Farm Risk Management Account Attach Form FRM
27. Interest exclusion for elderly
28. Interest exclusion for savings bonds, etc. Specify _____
29. Exempt pension & annuity income, (not soc. sec./disability) Attach Worksheet IV, Page 13
30. Unemployment
31. Medical Care Savings Account Attach Form MSA
32. Family Education Savings Account (Attach name and social security number(s) of beneficiary)
33. First Time Home Buyers Account Attach Form FTB
34. Health care professional loan payment exclusion
35. Other reductions (see page 5, line 35 of instructions).
Specify _____
36. Total reductions to income (add lines 26 thru 35)..... **Total** ➡
37. Subtract line 36 from line 25. Enter here and on line 38, page 2.....

26.		26.
27.		27.
28.		28.
29.		29.
30.		30.
31.		31.
32.		32.
33.		33.
34.		34.
35.		35.
36.		36.
37.		37.

Column A (for single
joint, separate, or head
of household)Column B (for spouse
only when filing
separate, and box 3 is
checked)

DEDUCTIONS

EXEMPTIONS

38. Montana adjusted gross income (From line 37)

38.

38.

Deductions Check only one39. (A) Standard deduction: ☐ (A) }
(B) Itemized deductions: ☐ (B) }

39.

39.

40. Subtract line 39 from 38 and enter balance..... ⇒ 40.

40.

40.

Exemptions (All filers are entitled to at least one exemption)

41. Multiply \$1,840 times the number of exemptions on line 5

41.

41.

42. Taxable income. Subtract line 41 from line 40 ⇒ 42.

42.

42.

STOP Nonresidents and Part-Year Residents complete and attach Schedules III and IV Form 2A, before proceeding

TAX COMPUTATION

43. Tax from table below. Non/part-year residents enter the amount from line 130, Form 2A Schedule IV. If line 42 is less than zero, enter zero here.....

43.

43.

44. Tax on lump sum distributions (see instructions for this line). Attach Federal Form 4972

44.

44.

45. Subtotal - Add lines 43 and 44.....Subtotal ⇒ 45.

45.

45.

46. Credits from Form 2A, line 112, Schedule II.....

46.

46.

47. Balance - Subtract line 46 from 45 and enter difference (but not less than zero)..... ⇒ 47.

47.

47.

48. Other tax, penalties and repayment, see page 6 (specify).....

48.

48.

For each of the programs below enter any amount you and your spouse want to contribute.

Enter totals in boxes on line 52 (see instructions for details).

Nongame Wildlife
Program49. Child Abuse
Prevention50. Agriculture in
Schools51. Enter total amount
in boxes.....

52.

52.

53. Total Tax —Add lines 47, 48, and 52.....Total ⇒ 53.

53.

53.

54. Combine amounts shown on line 53 columns A and B..... ⇒ 54.

54.

54.

PAYMENTS
AND CREDITS

55. Montana tax withheld.....Attach withholding statements

55.

55.

56. Payments of 2004 estimated tax and amounts credited from previous year

56.

56.

57. Payment made with extension

57.

57.

58. Elderly Homeowner/ Renter Credit Attach Form 2EC

58.

58.

59. Total of lines 55 thru 58.....Total

59.

59.

60. Combine amounts shown on line 59 columns A and B ⇒ 60.

60.

60.

REFUND
OR AMOUNT
YOU OWE

61. If line 60 is larger than line 54 enter the difference. This is your overpayment.....

61.

61.

62. Amount on line 61 to be applied to 2005 estimate 62.

63. Enter the amount from line 61 you want refunded to you (refunds more than \$1.00 will be issued)

Refund..... 63.

63.

Refund Returns: Mail to Dept. of Revenue, PO Box 6577, Helena, MT 59604-6577

If you wish to use direct deposit enter your RTN# and ACCT# below. See instructions on page 6.

Direct Deposit

RTN# ACCT# Checking ☐Savings ☐

64. If line 54 is larger than line 60 enter tax due (If you owe see instructions for this line)

Tax Due 64.

64.

Send your check or money order with payment coupon to: Dept. of Revenue, PO Box 6308, Helena, MT 59604-6308.

If you choose to pay your tax due by credit card visit our website at www.discoveringmontana.com/revenue and enter your confirmation number here. See instructions on page 6.

- Check this box if at least 2/3 of your gross income is from farming. (attach breakdown of computations) ☐

- Check here if estimated payments were made using the annualization method. (Attach Montana Form EST-I) ☐

- Check here if you do not need state income tax forms and instructions mailed to you next year. Tax forms are also available on the internet. ☐

Underpayment interest

See Worksheet VII, Schedule W... 65.

65.

Late filing penalty-See page 2..... 66.

66.

Late payment penalty-See page 2. 67.

67.

Interest 1% (.01) per month..... 68.

68.

Total of lines 64 through 68 69.

69.



Extension - Check this box and attach copies of federal extension(s) to receive a valid Montana extension. See Page 2 of instructions for details.

PLEASE
SIGN HERE

Name, address and telephone number of preparer

May the DOR discuss this return with the preparer shown above? yes ☐ no ☐

Questions? Please call (406) 444-6900 or TDD (406) 444-2830 for hearing impaired. ☎

X

X

Your signature is required

Date

Daytime telephone number

Spouse signature

Date

I declare under penalty of false swearing that the information in this return and attachments is true, correct and complete.

Tax Table

If Taxable Income is:

Over	But not over	Multiply by	and Subtract = Tax
\$ 0	\$ 2,300	X ... 2 %	\$ 0
\$ 2,300	\$ 4,600	X ... 3 %	\$ 23
\$ 4,600	\$ 9,200	X ... 4 %	\$ 69
\$ 9,200	\$ 13,800	X ... 5 %	\$ 161
\$ 13,800	\$ 18,400	X ... 6 %	\$ 299

If Taxable Income is:

Over	But not over	Multiply by	and Subtract = Tax
\$ 18,400	\$ 22,900	X ... 7 %	\$ 483
\$ 22,900	\$ 32,100	X ... 8 %	\$ 712
\$ 32,100	\$ 45,900	X ... 9 %	\$ 1,033
\$ 45,900	\$ 80,300	X ... 10 %	\$ 1,492
\$ 80,300		X ... 11 %	\$ 2,295

Example = taxable income \$2,400 x 3% (.03) = \$72 subtract \$23 = \$49 tax

When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.

Page 1 2004

Form 2A**MONTANA**

Last Name and Initial

Social Security Number

Schedule I — Itemized DeductionsColumn A (For
single, joint,
separate or head
of household)Column B (For
spouse only when
filing separate, and
box 3 is checked)

70. Medical insurance premiums not deducted on lines 19, 35 or 74.....70.
Do not include pre-tax payroll deductions or employer paid premiums.

Column A Column B

71. Medical expenses. See instructions.....71.

72. Enter 7.5% (.075) of line 38, Form 2..... 72.

73. Subtract line 72 from line 71. If less than zero, enter zero.

Deductible medical and dental expenses..... 73.

74. Long term care insurance..... 74.

Federal Income Tax (Amounts attributable
to self employment tax are not deductible)

Column A Column B

75. 2004 federal tax withheld from wages, pensions
and annuities. Attach W-2's and 1099's..... 75.

76. Federal estimated tax payments made in 2004.

Attach copies of pages 1 and 2 of federal
tax return (Form 1040 or 1040A)..... 76.

77. Balance of 2003 tax paid in 2004..... 77.

78. Additional federal tax for year(s) paid in 2004. 78.

79. Total 2004 federal tax deduction - add lines 75, 76, 77, and 78 79.

80. Real estate personal property taxes..... 80.

81. Motor vehicle(s) taxes, other deductible taxes..... 81.

82. Home mortgage interest..... Deductible points.....
If paid to the person from whom you bought the home, please provide
person's name, address and social security #.....

82. 82.

83. Deductible investment interestAttach Federal Form 4952 83.

84. Contributions 84.

85. Child and dependent care expense ...Attach Montana Form 2441M 85.

86. Casualty and theft losses.....Attach Federal Form 4684 86.

87. Unreimbursed employee business expense

Attach Federal Form 2106.....87.

88. Other expenses (list type and amount)..... 88.

89. Add lines 87 and 88..... 89.

90. Enter 2% (.02) of line 38 Form 2..... 90.

91. Subtract line 90 from 89. If less than zero,
enter zero..... 91.

92. Misc. deduction not subject to 2% A.G.I. (list type and amount) 92.

93. 93.

93. Gambling losses (as allowed by federal law)..... 93.

94a. Add lines 70, 73, 74, 79-86, 91-93. Enter result here.....**Total** 94a

If the amount on Form 2, line 38 is more than \$142,700
(more than \$71,350 if you are married filing separately)
continue to line 94b, otherwise transfer the amount on
line 94a to line 39 of Form 2.

94b. Enter the amount from line 9 of the Itemized Deduction
Worksheet VI on page 14. This is the amount of your unallowable
itemized deductions..... 94b.

95. Subtract line 94b from line 94a. This is the amount of your
allowable itemized deductions. Enter here and on
line 39 of Form 2.....**Total** 95.

Round to nearest dollarMedical & Dental
ExpensesTaxes You
PaidInterest You
Paid

Other

Miscellaneous
DeductionsTotal
Deductions

When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.

Schedule II - Credits Against Tax

(See instructions on pages 8 and 9)

	Column A (For single, joint, separate or head or household)	Column B (For spouse only when filing separate, and box 3 is checked)	
96. Rural physician's credit			96.
97. College contribution credit Attach Form CC			97.
98. Qualified endowment credit Attach Form QEC			98.
99. Elderly care credit Attach Form ECC			99.
100. Credit for income tax liability paid to another state or country Attach Schedule V or Schedule VI			100.
101. Contractors gross receipts tax credit Attach list of credits			101.
102. Alternative energy systems credit Attach Form ENRG-B			102.
103. Energy conservation installations credit Attach Form ENRG-C			103.
104. Alternative energy production credit Attach Form AEPC			104.
105. Recycle credit Attach Form RCYL			105.
106. Dependent care assistance credit Attach Form DCAC			106.
107. Health insurance for uninsured Montanans Attach Form HI			107.
108. Historical property preservation credit Attach Federal Form 3468			108.
109. Developmental disability account contribution credit			109.
110. Empowerment zone credit			110.
111. Other credits (see instructions)			111.
112. Total Credits - Enter here and on Form 2, line 46			112.

Schedule III - Nonresident/Part Year Resident Identification of Montana Source Income

(See instructions page 10)

Nonresident military service members, see instructions for lines 113 through 124, page 10

You Must Attach a Copy of Your Federal Return

	Column A (For single, joint, separate or head or household)	Column B (For spouse only when filing separate, and box 3 is checked)	
113. Wages, salaries, tips, etc			113.
114. Interest income			114.
115. Dividend income			115.
116. Net business income			116.
117. Capital gain (or loss)			117.
118. Supplemental gain (or loss)			118.
119. Rents, royalties, partnerships, estates and trusts			119.
120. Taxable pensions, annuities, IRA's			120.
121. Taxable portion of social security			121.
122. Net farm income (or loss)			122.
123. Other income/loss (federal refund, etc.)			123.
124. Montana source total income (add lines 113 through 123)			124.

**Schedule IV - Nonresident/Part Year Resident
Prorated Tax Computation**

	Column A (For single, joint, separate or head or household)	Column B (For spouse only when filing separate, and box 3 is checked)	
125. Montana source total income from line 124 above			125.
126. Enter federal income from line 18, plus amount of line 24, Form 2. (Nonresident military service members, see instructions on page 10.)			126.
127. Divide amount on line 125 by amount on line 126 (Carry to 4 decimal places - Do not enter more than 1.0000)			127.
128. Taxable income from line 42, Form 2			128.
129. Calculate tax on amount on line 128 using tax table on Form 2, page 2.			129.
130. Part year resident and nonresident tax - multiply amount on line 129 by percent on line 127 and enter result here and on line 43, Form 2. This is the amount of your prorated tax			130.

When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.

Page 1 2004

Form 2A**MONTANA**

Last Name and Initial

Social Security Number

Schedule I — Itemized DeductionsColumn A (For
single, joint,
separate or head
of household)Column B (For
spouse only when
filing separate, and
box 3 is checked)

70. Medical insurance premiums not deducted on lines 19, 35 or 74.....70.
Do not include pre-tax payroll deductions or employer paid premiums.

Column A Column B

71. Medical expenses. See instructions.....71.

72. Enter 7.5% (.075) of line 38, Form 2..... 72.

73. Subtract line 72 from line 71. If less than zero, enter zero.

Deductible medical and dental expenses..... 73.

74. Long term care insurance..... 74.

Federal Income Tax (Amounts attributable
to self employment tax are not deductible)

Column A Column B

75. 2004 federal tax withheld from wages, pensions
and annuities. Attach W-2's and 1099's..... 75.76. Federal estimated tax payments made in 2004.
Attach copies of pages 1 and 2 of federal
tax return (Form 1040 or 1040A)..... 76.

77. Balance of 2003 tax paid in 2004..... 77.

78. Additional federal tax for year(s) paid in 2004. 78.

79. Total 2004 federal tax deduction - add lines 75, 76, 77, and 78 79.

80. Real estate personal property taxes..... 80.

81. Motor vehicle(s) taxes, other deductible taxes..... 81.

82. Home mortgage interest..... Deductible points.....
If paid to the person from whom you bought the home, please provide
person's name, address and social security #.....

82. 82.

83. Deductible investment interestAttach Federal Form 4952 83.

84. Contributions 84.

85. Child and dependent care expense ...Attach Montana Form 2441M 85.

86. Casualty and theft losses.....Attach Federal Form 4684 86.

87. Unreimbursed employee business expense

Attach Federal Form 2106.....87.

88. Other expenses (list type and amount)..... 88.

89. Add lines 87 and 88..... 89.

90. Enter 2% (.02) of line 38 Form 2..... 90.

91. Subtract line 90 from 89. If less than zero,
enter zero..... 91.

92. Misc. deduction not subject to 2% A.G.I. (list type and amount) 92.

93. Gambling losses (as allowed by federal law)..... 93.

94a. Add lines 70, 73, 74, 79-86, 91-93. Enter result here.....**Total** 94a

If the amount on Form 2, line 38 is more than \$142,700
(more than \$71,350 if you are married filing separately)
continue to line 94b, otherwise transfer the amount on
line 94a to line 39 of Form 2.

94b. Enter the amount from line 9 of the Itemized Deduction
Worksheet VI on page 14. This is the amount of your unallowable
itemized deductions..... 94b.

95. Subtract line 94b from line 94a. This is the amount of your
allowable itemized deductions. Enter here and on
line 39 of Form 2.....**Total** 95.

Round to nearest dollarMedical & Dental
ExpensesTaxes You
PaidInterest You
Paid

Other

Miscellaneous
DeductionsTotal
Deductions

When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.

Schedule II - Credits Against Tax

(See instructions on pages 8 and 9)

	Column A (For single, joint, separate or head or household)	Column B (For spouse only when filing separate, and box 3 is checked)	
96. Rural physician's credit			96.
97. College contribution credit Attach Form CC			97.
98. Qualified endowment credit Attach Form QEC			98.
99. Elderly care credit Attach Form ECC			99.
100. Credit for income tax liability paid to another state or country Attach Schedule V or Schedule VI			100.
101. Contractors gross receipts tax credit Attach list of credits			101.
102. Alternative energy systems credit Attach Form ENRG-B			102.
103. Energy conservation installations credit Attach Form ENRG-C			103.
104. Alternative energy production credit Attach Form AEPC			104.
105. Recycle credit Attach Form RCYL			105.
106. Dependent care assistance credit Attach Form DCAC			106.
107. Health insurance for uninsured Montanans Attach Form HI			107.
108. Historical property preservation credit Attach Federal Form 3468			108.
109. Developmental disability account contribution credit			109.
110. Empowerment zone credit			110.
111. Other credits (see instructions)			111.
112. Total Credits - Enter here and on Form 2, line 46			112.

Schedule III - Nonresident/Part Year Resident Identification of Montana Source Income

(See instructions page 10)

Nonresident military service members, see instructions for lines 113 through 124, page 10

You Must Attach a Copy of Your Federal Return

	Column A (For single, joint, separate or head or household)	Column B (For spouse only when filing separate, and box 3 is checked)	
113. Wages, salaries, tips, etc			113.
114. Interest income			114.
115. Dividend income			115.
116. Net business income			116.
117. Capital gain (or loss)			117.
118. Supplemental gain (or loss)			118.
119. Rents, royalties, partnerships, estates and trusts			119.
120. Taxable pensions, annuities, IRA's			120.
121. Taxable portion of social security			121.
122. Net farm income (or loss)			122.
123. Other income/loss (federal refund, etc.)			123.
124. Montana source total income (add lines 113 through 123)			124.

**Schedule IV - Nonresident/Part Year Resident
Prorated Tax Computation**

	Column A (For single, joint, separate or head or household)	Column B (For spouse only when filing separate, and box 3 is checked)	
125. Montana source total income from line 124 above			125.
126. Enter federal income from line 18, plus amount of line 24, Form 2. (Nonresident military service members, see instructions on page 10.)			126.
127. Divide amount on line 125 by amount on line 126 (Carry to 4 decimal places - Do not enter more than 1.0000)			127.
128. Taxable income from line 42, Form 2			128.
129. Calculate tax on amount on line 128 using tax table on Form 2, page 2.			129.
130. Part year resident and nonresident tax - multiply amount on line 129 by percent on line 127 and enter result here and on line 43, Form 2. This is the amount of your prorated tax			130.

When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.

Credit for a Tax Liability Paid to Another State or Country

Last Name and Initial	Social Security Number
-----------------------	------------------------

Instructions. You may claim a credit for an income tax liability paid to another state or country by yourself, an S. corporation or a partnership. If you claim this credit for a tax liability paid to another state or country by an S. corporation or a partnership, you must add back to income on Form 2, line 23 your share of the entity's deduction for income tax paid, whether separately or non-separately stated on your Federal K-1.

Please note:

- The credit is limited to an income tax liability paid on income that is also taxed by Montana.
- Income taxes include excise taxes or franchise taxes that are imposed on and measured by the net income for an S. corporation or partnership.
- This credit is nonrefundable and can not reduce your Montana tax liability below zero.
- Unused credits can not be carried over.
- Separate computations must be made for each state or country.
- A part-year resident must allocate income using Form 2A, page 2, Schedule III when calculating this credit.

Schedule V - Full year Resident-Credit Allowed for an Income Tax Liability Paid to Another State or Country.

Attach Copy of Out-of-State Return

		Column A (For joint, separate or single)	Column B (For spouse when filing separate, and box 3 is checked)
1. Income from other state or country included in Montana adjusted gross income. This includes where applicable, the share of income taxes paid which are claimed as a deduction by an S. corporation or a partnership.	1.		
2. Total income from other state or country used in calculating the income tax paid to the other state or country. Include income exempt from Montana income tax.	2.		
3. Total Montana adjusted gross income from Form 2. This includes where applicable, the share of income taxes paid which are claimed as a deduction by an S. corporation or a partnership.	3.		
4. Total income tax liability paid to other state or country	4.		
5. Montana tax liability from Form 2, line 43	5.		
6. Line 1 divided by line 2, but not greater than 100%	6.	%	%
7. Line 4 multiplied by line 6	7.		
8. Line 1 divided by line 3, but not greater than 100%.	8.	%	%
9. Line 5 multiplied by line 8	9.		
10. The allowable credit is the lower of lines 4, 7, or 9. Enter here and on Form 2A, Schedule II	10.		

Schedule VI — Part/year Residents-Credit Allowed For an Income Tax Liability Paid To Another State or Country

Attach Copy of Out-of-State Return

		Column A (For joint, separate or single)	Column B (For spouse when filing separate, and box 3 is checked)
1. Income from other state or country included in Montana adjusted gross income and reported on Form 2A, Schedule III, line 124. This includes where applicable, the share of income taxes paid which are claimed as a deduction by an S. corporation or a partnership	1.		
2. Total income from other state or country used in calculating the income tax paid to the other state or country. Include income exempt from Montana income tax	2.		
3. Total Montana income from Form 2A, Schedule III, line 124. This includes where applicable, the share of income taxes paid which are claimed as a deduction by an S. corporation or a partnership	3.		
4. Total income tax liability paid to other state or country	4.		
5. Montana tax liability from Form 2, line 43	5.		
6. Line 1 divided by line 2, but not greater than 100%	6.	%	%
7. Line 4 multiplied by line 6	7.		
8. Line 1 divided by line 3, but not greater than 100%	8.	%	%
9. Line 5 multiplied by line 8	9.		
10. The allowable credit is the lower of lines 4, 7, or 9. Enter here and on Form 2A, Schedule II	10.		

When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.

Full Year Resident - Short Form 2S - Individual Income Tax Return

MONTANA
2004
Full Year Resident ONLY
Filing from a Montana Address

Last Name		First Name and Middle Initial		<input type="checkbox"/> Deceased <input type="checkbox"/>	Social Security No.	
Spouse's Last Name if Different		Spouse's First Name and Middle Initial			Spouse's Social Security No.	
Mailing Address (Montana Addresses Only)			City		Zip Code + 4	
					MT 59	

Filing Status Check One	1. Single <input type="checkbox"/>	2. Married Filing Joint Return <input type="checkbox"/>	3. Head of Household (see Instructions) <input type="checkbox"/>	File on or before April 15, 2005
-------------------------	------------------------------------	---	--	---

For tax due mail to:
 Dept. of Revenue
 PO Box 6308
 Helena, MT 59604-6308

All other returns
 and refunds mail to:
 Dept. of Revenue
 PO Box 6577
 Helena, MT 59604-6577

Exemptions All filers are entitled to at least one exemption

	Regular	65 or Over	Blind													
1. Yourself	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Enter number checked <input type="checkbox"/> 1.												
2. Spouse	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Enter number checked <input type="checkbox"/> 2.												
3. Dependents	<table border="1"> <thead> <tr> <th>Dependent's Name</th> <th>Dependent's Social Security Number</th> <th>Relationship</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> </tbody> </table>			Dependent's Name	Dependent's Social Security Number	Relationship										3. Dependents <input type="checkbox"/> 3.
Dependent's Name	Dependent's Social Security Number	Relationship														
Do not claim yourself or spouse				4. Handicapped Dependent <input type="checkbox"/> 4.												
5. Add lines 1, 2, 3 and 4 (if additional dependents, see instructions)	Total Number Exemptions			<input type="checkbox"/> 5.												

Round to nearest dollar.
If no entry leave blank

REPORT YOUR INCOME

6. Wages, salaries, tips, etc.	Attach W-2(s)	6.
7. Taxable interest income	Attach Federal Schedule if over \$1,500	7.
8. Dividend income	Attach Federal Schedule if over \$1,500	8.
9. Federal taxable pensions, IRA distributions, annuities	Attach 1099R's	9.
10. Unemployment, alimony, state refund, etc. specify		10.
11. Total of lines 6 thru 10	Total	11.
12. Adjustments: moving expense, IRA, alimony, student loan interest, etc., specify		12.
13. Federal adjusted gross income (subtract line 12 from line 11)	Total	13.
14. Add: Interest on state and county municipal bonds (non-Montana) and/or federal refund (see instructions)		14.
Subtract:		
15. Exempt pension and annuity income - see Worksheet IV, page 13		15.
16. Interest exclusion for elderly		16.
17. Interest exclusion for savings bonds, etc. specify		17.
18. Unemployment		18.
19. Other reductions (including tips, etc.) Refer to page 5 of instructions		19.
20. Total adjustments decreasing income (add lines 15 thru 19)	Total	20.
21. Montana adjusted gross income (add lines 13 and 14 subtract line 20)	Total	21.
22. a. Standard deduction-see Worksheet V, page 13. a. <input type="checkbox"/>	22a.	
or b. Federal income taxes paid or withheld in 2004. b. <input type="checkbox"/>	22b.	
23. Multiply \$1,840 times the number of exemptions in Box 5 above.	23.	
24. Add lines 22a or 22b and line 23	Total	24.
25. Taxable income. Subtract line 24 from 21 (If less than zero enter zero).	Total	25.
26. Tax on amount on line 25 from tax table on back of this form.		26.
In boxes below, enter any amount you and your spouse would like to contribute. See instructions.		
Nongame Wildlife Program <input type="checkbox"/>	27.	
Child Abuse Prevention <input type="checkbox"/>	28.	
Agriculture in MT Schools <input type="checkbox"/>	29.	
Enter amounts in boxes.		Total
31. Total tax - add lines 26 and 30.	Total	31.
32. Montana tax withheld. Attach withholding statements W-2(s), 1099(s) etc.		32.
33. Elderly Homeowner/Renter Credit. Attach Form 2EC 33.		33.
34. Add lines 32 and 33.	Total	34.
35. If line 34 is larger than line 31 enter difference (refunds of more than \$1.00 will be issued).	Refund	35.
If you wish to use direct deposit enter your RTN# and ACCT# below. See instructions Direct Deposit		
RTN# <input type="text"/>	ACCT# <input type="text"/>	Checking <input type="checkbox"/>
		Savings <input type="checkbox"/>
36. If line 31 is larger than line 34 enter difference.	Tax Due	36.
If you chose to pay your tax due by credit card visit our website at www.discoveringmontana.com/revenue and enter your confirmation number here. See instructions on page 11.		
37. Penalty and interest (see instructions for calculation of penalty and interest)		37.
Underpayment <input type="checkbox"/> Late File <input type="checkbox"/> Late Pay <input type="checkbox"/> Interest <input type="checkbox"/>	Total of Boxes	37.
38. Add lines 36 and 37. Attach check or money order for full amount if \$1.00 or more.	Total Due	38.
Payable to the Department of Revenue. Include your payment with the payment coupon provided in this booklet.		

ATTACH WITHHOLDING STATEMENTS BELOW LINE 6.

Name, address and telephone number of preparer

May the DOR discuss this return with the preparer shown?

Yes ☐ No ☐

Check box if you do not need state income tax forms and instructions mailed to you next year. ☐

SIGN YOUR RETURN

Your signature is required

Date

Telephone number

Spouse signature (if filing jointly, both must sign)

Date

I declare under penalty of false swearing that the information in this return and attachments is true, correct and complete.

Elderly Homeowner/Renter Credit

Instructions (primary residence only)

The elderly homeowner or renter credit is for your use if you're 62 years old or older. A credit for your property taxes assessed or rent paid may be used against your state income tax liability or as a direct refund even if you're not required to file a Montana income tax return.

Please read the instructions and complete the form to see if you qualify for the credit.

Additional help is available by calling (406) 444-6900 or TDD (406) 444-2830. ☎

Part II - Answer all questions. If the answer to any question is "No", you are not eligible for the credit.

Part III - Lines 1-5. Household Income. On lines 1 through 5 enter income from all sources received by you and any other persons with whom you share a household. Include taxable and nontaxable income. Do not include any losses on lines 1 through 5. If income exceeds \$45,000, do not go any further. You are not entitled to the refund.

Income for purposes of the refund means federal adjusted gross income, without regards to loss, plus all nontaxable income including but not limited to:

- Amount of any pension or annuity, including railroad retirement and veteran's disability benefits
- Amount of capital gains excluded from adjusted gross income
- Alimony and support money
- Nontaxable strike benefits
- Cash public assistance and relief
- Payments and interest on federal, state, county and municipal bonds
- All payments received under federal social security except social security paid to a nursing home.
- For above items (a-g), income is reduced by taxpayer's basis.

Line 6 - Enter total income.

Line 7 - Standard exclusion.

Line 8 - Subtract the amount on line 7 from line 6 and enter balance. (If less than zero enter zero)

Trusts: 2004 property taxes billed on a residence held in a revocable trust which are paid by an eligible claimant are allowable. The eligible claimant and their spouse must be the only trustees of the revocable trust.

If the property occupied by an eligible claimant is in a name other than the claimant, the property taxes billed are allowable only as rent. This includes irrevocable or family trusts.

Qualifying individuals who place a residence in a life estate and who pay the property tax may claim the taxes when calculating this credit.

Mail this form to: Montana Department of Revenue, PO Box 6577, Helena MT 59604-6577.

Household Income Reduction Table

If your
Household income
on line 8 is:

At least this amount	But not more than	Your multiplier for line 14 is:
\$ 0	1,999	0
2,000	2,999	.006
3,000	3,999	.016
4,000	4,999	.024
5,000	5,999	.028
6,000	6,999	.032
7,000	7,999	.035
8,000	8,999	.039
9,000	9,999	.042
10,000	10,999	.045
11,000	11,999	.048
12,000 and over		.050

Part IV-Homeowners

Line 9 - Include a copy of your property tax bill or a letter from your county treasurer showing the total property taxes billed and assessed for 2004 on your primary residence.

The property taxes allowed on line 9 of the 2004 2EC are the total taxes billed on your November 2004 property tax statement on your residence and surrounding land (not to exceed one acre). This amount includes all special assessments and fees. The 2004 2EC is based on 2004 property taxes billed, not the property taxes actually paid.

Land surrounding the eligible residence for the Elderly Homeowner/Renter Credit is the one acre homesite associated with the primary residence.

If the one acre homesite is not separately identified on the tax bill from other land, and the ownership is less than 20 acres, the allowable deduction shall be calculated as follows: total amount of property tax billed on the land, divided by the total acreage to equal the allowable amount of property tax used in the credit calculation.

If the land is classified as forest land, agricultural land or non-qualifying agricultural land and the one acre homesite is not separately identified on the tax bill, you must contact your local county assessor's office for the computation.

Skip lines 10 and 11 and enter your allowable tax from line 9 on line 12.

Part IV-Renters

Signed rent receipts must be attached.

Renters of county or municipal housing authority dwellings are eligible to apply.

When a taxpayer lives in a health care, long-term care, personal care or residential care facility, the rent allowed is the actual out of pocket rent paid. If an adequate breakdown between rent and amenities paid is not provided, the rent allowed will be limited to \$20 per day (not to exceed \$7,300).

Line 10 - Enter the amount of rent you paid in 2004. Signed rent receipts must be attached.

Line 11 - Multiply line 10 by 15% (.15). Enter the result here and on line 12.

Part IV-Homeowners and Renters

If you own your home and rent the land or rent your home and own the land enter 2004 taxes billed on line 9. Enter your rent paid on line 10. Add lines 9 and 11 and enter total on line 12.

Line 13 - Enter your household income from line 8.

Line 14 - From the table below enter your multiplier based on your household income from line 13.

Line 15 - Multiply line 13 by line 14 and enter the result.

Line 16 - Subtract line 15 from line 12. (Number entered cannot be less than zero)

Line 17 - First, enter the amount from line 16 or \$1,000, whichever is smaller. Then follow instructions as applicable to income shown on line 6.

Line 18 - Enter the applicable percentage from the table. If total income from line 6 is between \$35,000 and \$45,000, the Elderly Homeowner/Renter Credit must be prorated. If line 6 income is more than \$45,000, no credit is allowed.

Line 19 - This is the allowable Elderly Homeowner/Renter Credit. Mail this form (and tax return if required to file) to the address shown on the front of Form 2EC.

Direct Deposit

If you wish to use direct deposit, enter your RTN# and ACCT# in the appropriate spaces. The routing number must be nine digits. The account number can be up to 17 characters (both numbers and letters). If routing and accounting numbers are not correct, the direct deposit will be rejected and a check will be mailed to you instead.

Full Year Resident - Short Form 2S - Individual Income Tax Return

MONTANA
2004
Full Year Resident ONLY
Filing from a Montana Address

Last Name		First Name and Middle Initial		<input type="checkbox"/> Deceased <input type="checkbox"/>	Social Security No.	
Spouse's Last Name if Different		Spouse's First Name and Middle Initial			Spouse's Social Security No.	
Mailing Address (Montana Addresses Only)			City		Zip Code + 4	
					MT 59	

Filing Status Check One	1. Single <input type="checkbox"/>	2. Married Filing Joint Return <input type="checkbox"/>	3. Head of Household (see Instructions) <input type="checkbox"/>	File on or before April 15, 2005
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For tax due mail to:
 Dept. of Revenue
 PO Box 6308
 Helena, MT 59604-6308

All other returns
 and refunds mail to:
 Dept. of Revenue
 PO Box 6577
 Helena, MT 59604-6577

Exemptions All filers are entitled to at least one exemption

	Regular	65 or Over	Blind													
1. Yourself	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Enter number checked <input type="checkbox"/> 1.												
2. Spouse	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Enter number checked <input type="checkbox"/> 2.												
3. Dependents	<table border="1"> <thead> <tr> <th>Dependent's Name</th> <th>Dependent's Social Security Number</th> <th>Relationship</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> </tbody> </table>			Dependent's Name	Dependent's Social Security Number	Relationship										3. Dependents <input type="checkbox"/> 3.
Dependent's Name	Dependent's Social Security Number	Relationship														
Do not claim yourself or spouse				4. Handicapped Dependent <input type="checkbox"/> 4.												
5. Add lines 1, 2, 3 and 4 (if additional dependents, see instructions)				Total Number Exemptions <input type="checkbox"/> 5.												

Round to nearest dollar.
If no entry leave blank

REPORT YOUR INCOME

6. Wages, salaries, tips, etc.	Attach W-2(s)	6.
7. Taxable interest income	Attach Federal Schedule if over \$1,500	7.
8. Dividend income	Attach Federal Schedule if over \$1,500	8.
9. Federal taxable pensions, IRA distributions, annuities	Attach 1099R's	9.
10. Unemployment, alimony, state refund, etc. specify		10.
11. Total of lines 6 thru 10	Total	11.
12. Adjustments: moving expense, IRA, alimony, student loan interest, etc., specify		12.
13. Federal adjusted gross income (subtract line 12 from line 11)	Total	13.
14. Add: Interest on state and county municipal bonds (non-Montana) and/or federal refund (see instructions)		14.
Subtract:		
15. Exempt pension and annuity income - see Worksheet IV, page 13		15.
16. Interest exclusion for elderly		16.
17. Interest exclusion for savings bonds, etc. specify		17.
18. Unemployment		18.
19. Other reductions (including tips, etc.) Refer to page 5 of instructions		19.
20. Total adjustments decreasing income (add lines 15 thru 19)	Total	20.
21. Montana adjusted gross income (add lines 13 and 14 subtract line 20)	Total	21.
22. a. Standard deduction-see Worksheet V, page 13. a. <input type="checkbox"/>	22a.	
or b. Federal income taxes paid or withheld in 2004. b. <input type="checkbox"/>	22b.	
23. Multiply \$1,840 times the number of exemptions in Box 5 above	23.	
24. Add lines 22a or 22b and line 23	Total	24.
25. Taxable income. Subtract line 24 from 21 (If less than zero enter zero)	Total	25.
26. Tax on amount on line 25 from tax table on back of this form		26.
In boxes below, enter any amount you and your spouse would like to contribute. See instructions.		
Nongame Wildlife Program <input type="checkbox"/>	27.	
Child Abuse Prevention <input type="checkbox"/>	28.	
Agriculture in MT Schools <input type="checkbox"/>	29.	
Enter amounts in boxes		Total 30.
31. Total tax - add lines 26 and 30	Total	31.
32. Montana tax withheld	Attach withholding statements W-2(s), 1099(s) etc.	32.
33. Elderly Homeowner/Renter Credit	Attach Form 2EC 33.	33.
34. Add lines 32 and 33	Total	34.
35. If line 34 is larger than line 31 enter difference (refunds of more than \$1.00 will be issued)	Refund	35.
If you wish to use direct deposit enter your RTN# and ACCT# below. See instructions Direct Deposit		
RTN# <input type="text"/>	ACCT# <input type="text"/>	Checking <input type="checkbox"/>
		Savings <input type="checkbox"/>
36. If line 31 is larger than line 34 enter difference	Tax Due	36.
If you chose to pay your tax due by credit card visit our website at www.discoveringmontana.com/revenue and enter your confirmation number here. See instructions on page 11.		
37. Penalty and interest (see instructions for calculation of penalty and interest)		
Underpayment <input type="checkbox"/> Late File <input type="checkbox"/> Late Pay <input type="checkbox"/> Interest <input type="checkbox"/>	Total of Boxes	37.
38. Add lines 36 and 37. Attach check or money order for full amount if \$1.00 or more.	Total Due	38.
Payable to the Department of Revenue. Include your payment with the payment coupon provided in this booklet.		

ATTACH WITHHOLDING STATEMENTS BELOW LINE 6.

SIGN YOUR RETURN 	Name, address and telephone number of preparer	May the DOR discuss this return with the preparer shown? <input type="checkbox"/> Yes <input type="checkbox"/> No	Check box if you do not need state income tax forms and instructions mailed to you next year. <input type="checkbox"/>
	Your signature is required _____ Date _____ Telephone number _____	Spouse signature (if filing jointly, both must sign) _____ Date _____	I declare under penalty of false swearing that the information in this return and attachments is true, correct and complete.

Tax Table							
If Taxable Income is Over	But not Over	Multiply by and Subtract = Tax		If Taxable Income is Over	But not Over	Multiply by and Subtract = Tax	
\$ 0	\$ 2,300	X 2%	..... \$ 0	\$18,400	\$22,900	X 7%	..... \$ 483
\$ 2,300	\$ 4,600	X 3%	..... \$ 23	\$22,900	\$32,100	X 8%	..... \$ 712
\$ 4,600	\$ 9,200	X 4%	..... \$ 69	\$32,100	\$45,900	X 9%	..... \$1,033
\$ 9,200	\$13,800	X 5%	..... \$161	\$45,900	\$80,300	X 10%	..... \$1,492
\$13,800	\$18,400	X 6%	..... \$299	\$80,300		X 11%	..... \$2,295

Example = taxable income \$2,400 x 3% (.03) = \$72 subtract \$23 = \$49 tax

Important Numbers: (These are not toll free numbers.)

Income tax assistance and problems....(406) 444-6900	TDD (Telephone Device for the Deaf)... (406) 444-2830
Estimated tax requirements.....(406) 444-6900	Fax number—income tax..... (406) 444-6642
Where's my refund?.....(406) 444-9840	Employer business tax questions..... (406) 444-6900

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